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AN ANALYSIS OF USMC FACILITIES SUPPORT CONTRACTS WITH A FOCUS ON BASE MAINTENANCE

June 2017

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13. ABSTRACT (maximum 200 words)

The purpose of this research was to provide recommendations to improve the Marine Corps facilities support contract (FSC) process and encourage innovation. In order to achieve this objective, three research questions were answered. First, what are the current practices and processes used for USMC contracting? Second, what commercial and governmental best business practices can the USMC implement to improve the FSC process? Third, what strategies and practices can the USMC use to promote innovation in FSCs?

These questions were answered by reviewing Marine Corps FSC files, researching service contracting best business practices, and ascertaining strategies to encourage innovation. After a comparative analysis, eight recommendations were identified to improve the FSC process. The first four recommendations involve the implementation of the following best business practices. First, foster a better utilization of the Integrated Project Team (the team responsible for designing the requirement as well as managing and evaluating the acquisition effort). Second, leverage the benefits of strategic sourcing. Third, improve data collection and forecasting. Last, improve the ability to share lessons learned. The remaining four recommendations offer strategies to encourage innovation. First, allow the contractor and government personnel to be innovative. Second, use private sector advisors to learn the most current processes and technological advancements. Third, provide both the contractors and government personnel with incentives to innovate. Last, create a culture of innovation.

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AN ANALYSIS OF USMC FACILITIES SUPPORT CONTRACTS WITH A FOCUS ON BASE MAINTENANCE

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LIST OF ACRONYMS AND ABBREVIATIONS

AFICA	Air Force Installation Contracting Agency
AT&L	Acquisition, Technology, and Logistics
BA-1	Operating Forces
BOS	Base Operations Support
CICA	Competition on Contracting Act
CLIN	Contract Line Item
COE	Center of Excellence
COR	Contracting Officer's Representative
CPARS	Contractor Performance Assessment Reporting System
DFARS	Defense Federal Acquisition Regulations Supplement
DOD	Department of Defense
DoDI	Department of Defense Instruction
DOTF	Department of Treasury and Finance
ESS	Enterprise Sourcing Squadrons
FAR	Federal Acquisition Regulations
FPDS	Federal Procurement Data Systems
FFP	Firm Fixed Price
FSC	Facilities Support Contract
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
HCA	Head of Contracting Agency
I&L	Headquarters Marine Corps, Installation and Logistics
ID	Indefinite Delivery
IQ	Indefinite Quantity
IPT	Integrated Product Team
LPTA	Lowest Price Technically Acceptable
MAPS	Marine Corps Acquisition Procedures Supplement
NASPO	National Association of State Procurement Officers
NAVFAC	Naval Facilities Engineering Command

NCMA	National Contract Management Association
NMCARS	Navy and Marine Corps Acquisition Regulation Supplement
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSD	Office of the Under Secretary of Defense
OSHA	Occupational Safety and Health Administration
PPIRS	Past Performance Information Retrieval System
PWS	Performance Work Statement
PSC	Product Service Code
QASP	Quality Assurance Surveillance Plan
RFI	Request for Information
RFP	Request for Proposal
SARA	Services Acquisition Reform Act
SOO	Statement of Objectives
SOW	Statement of Work
SSN	Sources Sought Notice
USA	United States Army
USD	Under Secretary of Defense
USMC	United States Marine Corps

I. INTRODUCTION

This chapter presents the background, purpose, research questions, and scope for a comparative analysis among commercial, governmental, and United States Marine Corps best business practices when contracting for services. Also analyzed are strategies that would encourage innovation in service contracting. Additionally, this chapter describes the methodology of the research and the organization of the study.

A. BACKGROUND

According to the Mihm (2017), the acquisition of services accounted for half of the $273.5 billion the Department of Defense (DOD) set aside in fiscal year (FY) 2015 for goods and services. In 2016, the Marine Corps was authorized $5.2 billion in Operating Forces (BA-1) funding (Office of the Secretary of the Navy, 2015). The USMC allocated 55.7% ($2.9 billion) of total BA-1 funding to Base Support (Office of the Secretary of the Navy, 2015). Of the $2.9 billion in Base Support funding, the USMC executed roughly $634.8 million on Facilities sustainment, restoration, modernization, and demolition (Office of the Undersecretary of Defense, 2016). This calculates to 21.9% of total Base Support funding. Given the high amount of appropriated funds executed on Facilities Support Contracts (FSC) it is prudent to continually seek efficiencies and cost reduction methods through the implementation of best business practices and innovative solutions. Furthermore, doing so is directly in line with Marine Corps cost control initiatives and the DOD Better Buying Power 3.0 (Under Secretary of Defense Acquisition, Technology, and Logistics, 2015). Headquarters Marine Corps, Installation and Logistics has requested research be conducted to identify commercial and governmental best business practices for services contracting as well as research strategies and processes to encourage innovation when contracting for services.

B. PURPOSE

This research provides the USMC with recommendations to improve the FSC process and encourage innovation. This was accomplished via a comparative analysis between USMC practices and industry practices. USMC practices were determined by

reviewing publicly available FSC documents. Industry practices was determined by researching commercial and governmental service contracting best business practices as well as strategies to promote innovation.

C. RESEARCH QUESTIONS

Contracting for services is a dynamic activity in which practices and processes quickly become obsolete and new practices, and processes are adopted on a continual basis. Continuous process improvement, efficiency, and innovative solutions are the lifeblood of the Marine Corps and ingrained in every Marine's mind. Maintaining such an environment requires constant study and refinement of current practices and procedures. It is with this intent that the following research questions have been developed:

1. What are the current practices and processes used for USMC facilities support contracting?
2. What commercial and governmental best business practices can the USMC implement to improve the FSC process?
3. What strategies and practices can the USMC implement to encourage innovation in FSCs?

D. SCOPE

A complete review of all Marine Corps facilities support contracts is unfeasible; therefore, current Marine Corps practices and processes have been derived from limited solicitations obtained via the government-wide point of entry (Federal Business Opportunities). Research on best business practices cover all phases of the contract life cycle, however, limited information was available describing the USMC's current FSC processes during the award and post-award phase of the contract life cycle. Therefore, the comparative analysis is limited when comparing processes taking place outside of the pre-award phase. Best business practices and strategies to encourage innovation violating government procurement laws will not be discussed. All best business practices identified in this paper focus on the buyer's perspective since this is the role predominantly played by the USMC during facilities support contracting. Due to the sheer volume of literature supporting this topic it is impossible to review every practice and procedure that has been documented; therefore, the author focuses on practices and procedures common across

multiple sources. The author's recommendations are based on solutions that will not require a large investment or an increase in personnel. A manpower analysis is not part of the scope of this project.

E. METHODOLOGY

In order to answer the research questions, this study was organized into four stages. First, a literature review was conducted to establish the regulatory framework of government procurement, identify commercial and governmental best business practices when contracting for services, and discuss strategies and practices to encourage innovation when contracting for services. Second, Marine Corps facilities support contract documentation was collected and analyzed. This analysis established a baseline of Marine Corps facilities support contract processes. The third stage of this study involved conducting a comparative analysis of current Marine Corps processes against best business practices and innovation encouraging strategies found in commercial and governmental service contracting. The fourth stage consisted of synthesizing the results of the comparative analysis in order to provide relevant recommendations to improve Marine Corps facilities support contract processes and procedures.

F. ORGANIZATION OF STUDY

A high-level view of the project's history and latitude was provided above. This served as the foundation throughout the project's completion. A very brief outline of the successive chapters is detailed below.

The literature review in the second chapter examines regulations, regulation supplements, academic articles, textbooks, case studies, and reports with respect to service contacting best business practices and strategies to encourage innovation. Furthermore, the chapter serves to provide a baseline of the current practices and processes utilized in Marine Corps facilities support contracts.

In Chapter III, the research collection procedures, analysis method, assumptions, and list of limitations are provided.

Findings are offered to summarize current USMC FCS process, address best business practices the USMC can implement to improve current FSC processes, and discuss strategies that will encourage innovation in FSCs.

The project closes with conclusions and recommendations. A summary of the research and findings derived from the comparative analysis as well as areas requiring further research are presented in this chapter.

G. SUMMARY

This chapter provided the background and purpose for the research contained in the subsequent pages. Additionally, the research questions, scope, methodology, and a general outline were provided.

The next chapter discusses, in detail, the references reviewed which provided the author with a base knowledge in services contracting. These references include acquisition regulations, reports, academic articles, case studies, and published guidebooks pertaining to services contracting. The next chapter also reviews the USMC FSC solicitations that provided the author with the outline of current USMC FCS processes and procedures.

II. LITERATURE REVIEW

This chapter outlines the regulatory framework established by the United States Code and codified in the Federal Acquisition Regulations (FAR), Defense Federal Acquisition Regulations Supplement (DFARS), Navy and Marine Corps Acquisition Regulation Supplement (NMCARS), Marine Corps Acquisition Procedures Supplement (MAPS), Circular A-76, and Department of Defense Instruction (DoDI) 5000.74. This chapter also identifies commercial and governmental best business practices when contracting for services as well as strategies to encourage innovation. Best business practices for service contracting and strategies to encourage innovation were gleaned through the review of reports, academic articles, case studies, and published guidebooks. This includes government sources such as public law, Under Secretary of Defense Better Buying Power 3.0, the *Department of Defense Guidebook for the Acquisition of Services*, Government Accountability Office (GAO) reports, the Defense Technical Information Center, and Acquisition Centers of Excellence in Service Contracting. Civilian sources include RAND Corporation reports, the *Acquisition Research Journal*, *Program Manager Magazine*, *Harvard Business Review*, National Contract Management Association, the Young Entrepreneur Council, and other sources.

A. THE REGULATORY FRAMEWORK

Navy and Marine Corps contracts are bound by regulations and statutory requirements. Regardless of the documented successes, certain processes and procedures cannot be implemented if such processes and procedures violate the statutory and regulatory requirements set forth by the U.S. government and the Navy. For this reason, the regulatory framework, in which Marine Corps contracts are obliged to comply, must first be identified before analyzing commercial and governmental best business practices.

Government procurement rules and regulations are set forth in statute. The FAR, DFARS, NMCARS, and DoDI 5000.74 are regulations that implement said statutes. The FAR, however, is the cornerstone regulation establishing the official government policy for the acquisition of services.

The FAR (2015) provides the official government policy with respect to contracting for services by providing the following rules:

1. Performance-based acquisition (see subpart 37.6) is the preferred method for acquiring services (Public Law 106–398, section 821).

2. Agencies shall generally rely on the private sector for commercial services.

3. Agencies shall not award a contract for the performance of an inherently governmental function.

4. Non-personal service contracts are proper under general contracting authority.

5. Agency program officials are responsible for accurately describing the need to be filled, or problem to be resolved, through service contracting in a manner that ensures full understanding and responsive performance by contractors and, in so doing, should obtain assistance from contracting officials, as needed.

6. Agencies shall establish effective management practices in accordance with Office of Federal Procurement Policy (OFPP) Policy Letter 93–1, Management Oversight of Service Contracting, to prevent fraud, waste, and abuse in service contracting.

7. Services are to be obtained in the most cost-effective manner, without barriers to full and open competition, and free of any potential conflicts of interest.

8. Agencies shall ensure that sufficiently trained and experienced officials are available within the agency to manage and oversee the contract administration function.

9. Agencies shall ensure that service contracts that require the delivery, use, or furnishing of products are consistent with part 23. (Part 37.102).

Further description of performance-based contracting, inherently governmental functions, full and open competition, and additional relevant rules are provided below.

1. Performance-Based Contracting

The mandate to use performance-based contracting procedures is common to all acquisition regulations, instructions, and supplements. In fact, NMCARS 5237.170-2 (2016) necessitates the need for approval to not use performance-based contracting procedures. Approval authority comes from the Head of Contracting Agency (HCA) for

all services acquisitions less than $50 million, approval from the Deputy Assistant Secretary of the Navy Acquisition and Procurement for services contracts between $50 million and $100 million, and approval from the Assistant Secretary of the Navy Research, Development, Test & Evaluation for services contracts between $100 million and $250 million (Navy and Marine Corps Acquisition Regulation Supplement [NMCARS], 2016).

Performance-based contracting, as defined in FAR 2.101, is "an acquisition structured around the results to be achieved as opposed to the manner by which the work is to be performed" (FAR, 2017). Furthermore, FAR 37.601(b) (2015) provides three requirements for performance-based contracts: "a performance work statement (PWS), measurable performance standards and the method of assessing contractor performance against performance standards, and performance incentives where appropriate" (FAR, 2015).

a. Performance Work Statement

According to FAR 2.101, a PWS is "a statement of work for performance-based acquisitions that describes the required results in clear, specific and objective terms with measureable outcomes" (FAR, 2017). Additionally, FAR 37.602 (2015) expands upon the definition by including the direction to "describe the work in terms of the required results rather than either how the work is to be accomplished or the number of hours to be provided" (FAR, 2015). As explained by Rendon (2001), "the PWS is one of the most critical documents in the outsourcing process" (p. 18). Subsequently, he explains that contract success is determined by a valid, complete, and accurate PWS. This allows the contractor to design his or her own performance methods while maintaining responsibility for performance quality (Rendon, 2001). The most notable difference between a PWS and a Statement of Work (SOW) is the absence of specific direction with which the work is to be completed (Defense Acquisition University [DAU], 2010). Lastly, it is difficult to achieve an efficacious contract without continually reviewing the PWS (Rendon, 2001). Continuous PWS reviews may result in PWS modifications because of a change in requirements, technology, contract standards, or to address problem areas (Rendon, 2001).

b. Measurable Performance Standards and the Method to Assess Them

The Office of Personnel Management (n.d.) describes measurable performance standards, in the context of human resources, as "a management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance" ("Definition," para. 1). This definition applies not just to human resources, but contracting as well. The standards and contractor performance level must be objective and quantifiable. Objective quantifiable standards provide the vehicle for determining contractor performance level. Performance level evaluation is then used to determine if the contractor is meeting the contract requirements or if the contractor has earned any incentives. It also plays a key role in the completion of the Contractor Performance Assessment Report (Office of Personnel Management, n.d.). These reports have the ability to influence a contractor's award of future government contracts or receipt of any incentives/awards. In order to ensure the proper surveillance FAR 37.114 states that "a sufficient number of qualified Government employees are assigned to oversee contractor activities, especially those that involve support of Government policy or decision making" (FAR, 2015). "Sufficient number" depends on the scope and complexity of the contracted service; it can range from just a few individuals to dozens.

The Quality Assurance Surveillance Plan (QASP) details the method of assessing performance standards and contains the processes, location, personnel, timing, and metrics the government will use when assessing performance (DAU, 2011). DFARS 237.172 mandates that the QASP be completed at the same time the PWS is being generated (Defense Federal Acquisition Regulation Supplement [DFARS], 2016). Additionally, the QASP must link each performance objective to a method of inspection (DAU, 2011) and be designed to mitigate the contract type performance risks and work effort (DFARS, 2016). The Defense Acquisition University (2011) has posted a QASP template created by the Under Secretary of Defense for Acquisition, Technology, and Logistics. This QASP template may be viewed in Appendix A.

Surveillance requirements is captured by one of two mandatory clauses in all services contracts, FAR clause 52.246-4 (1996) or FAR clause 52.246-5 (1984). The full

text of these two clauses can be viewed in Appendix B and Appendix C, respectively. In short, both clauses require the contractor to maintain a quality assurance system, allow the government to inspect and test all services, correct unsatisfactory work at no charge to the government, and serve as a notice to the contractor that the government may terminate the contract for failing to complete or re-complete the work described in the terms and conditions of the contract (FAR, 1996; FAR, 1984).

c. Performance Incentives

According to FAR 37.602(b)(3), the goal of performance incentives is to encourage a contractor to perform at a level above that which is stipulated in the work statement (FAR, 2015). Providing an incentive on certain areas of a contract results in the contractor focusing more on the incentive areas than other non-incentivized areas. This fact is supported by FAR 16.101 guidance to tailor incentives toward areas of disproportionate risks (FAR, 2017). Hence, the reason performance incentives are not mandatory but rather used when appropriate (FAR, 2015).

2. Inherently Governmental Functions

FAR 37.114(a) (2015) states, "functions being performed shall not be changed or expanded to become inherently governmental" (FAR, 2015). Furthermore, contractors should never be tasked to perform inherently governmental functions (Department of Defense [DOD], 2016; DFARS, 2008). Inherently governmental functions are activities tied so closely to the public interest that government employees are required to perform them (Office of Management and Budget [OMB], 2003; Office of Federal Procurement Policy [OFPP], 2011). OMB Circular A-76 (2003) continues by providing the following four descriptions of what inherently governmental activity involves

1. Binding the United States to take or not take some action by contract, policy, regulation, authorization, order, or otherwise.
2. Determining, protecting, and advancing economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise.
3. Significantly affecting the life, liberty, or property of private persons.

4. Exerting ultimate control over the acquisition, use, or disposition of United States property (real or personal, tangible or intangible), including establishing policies or procedures for the collection, control, or disbursement of appropriated and other federal funds (p. A-2).

OMB's guidance on this matter concludes with a warning that use of discretion is not convincing evidence of an activity being inherently governmental. OMB states that such "discretion shall be deemed inherently governmental if it commits the government to a course of action when two or more alternative courses of action exist and decision making is not already limited or guided by existing policies, procedures, directions, orders, and other guidance" (OMB, 2003, p. A-2). This is not to say that contractors cannot be part of the team developing or executing a course of action, but rather cannot be the sole developer or executer of said course of action. In all instances, however, the agency must maintain contractor oversight (OMB, 2003).

3. Competition Requirements

In 1984, the Competition in Contracting Act (CICA) was passed by Congress. CICA mandated full and open competition as well as the requirement to advertise all procurements over $25,000 for at least 15 days (MAS, 2012). FAR part 6 *Competition Requirements* was then promulgated to provide the regulatory procedures ensuring compliance with CICA. FAR 6.101 (2017) requires all contracting officers to "promote and provide for full and open competition in soliciting offers and awarding Government contracts" (FAR, 2017). Full and open competition may be achieved through "sealed bidding," "competitive proposals," "combination of competitive procedures," or "other competitive procedures" (FAR, 2017, Part 6.102). According to the FAR (2017), sealed bidding is used on all service contracts when the following conditions are met:

1. Time permits the solicitation, submission, and evaluation of sealed bids
2. The award will be made on the basis of price and other price related factors
3. It is not necessary to conduct discussions with the responding offerors about their bids
4. There is reasonable expectation of receiving more than one sealed bid. (Part 6.401(a)).

Simply put, service contracts are not exempt from the requirements established by CICA in 1984.

4. Additional Regulations

The FAR and supporting supplements contain a few more rules that must be noted in order to complete the regulatory framework. Of particular note is FAR part 22 *Application of Labor Laws to Government Acquisitions* (FAR, 2017). FAR part 22 contains mandatory provisions on minimum wage, working conditions, benefits, equivalent federal employee wage rates, and employee notification of the information mentioned above (FAR, 2017). Additionally, the FAR (2017) requires contractors to

> pay their employees at least the wages and fringe benefits found by the Department of Labor to prevail in the locality or, in the absence of a wage determination, the minimum wage set forth in the Fair Labor Standards Act (Part 1002-2).

Specific requirements exist with respect to a service contract's period of performance. Per FAR 37.106 (2015), service contracts may only be awarded with a one year period of performance (FAR, 2015). However, DFARS 237.106 allows performance of a severable service to start in one fiscal year and end in another fiscal year while being fully funded with current fiscal year dollars as long as the performance period does not exceed one calendar year (DFARS, 2016). According to the Defense Procurement and Acquisition Policy (2015), "Severable services are continuing and recurring in nature...the benefits are realized when the services are provided, even if the contract is not performed to completion" (p. 53).

The type of services that may be contracted for are restricted by regulation. FAR 37.104(b) states, "Agencies shall not award personal services contracts unless specifically authorized by statute to do so" (FAR, 2015). FAR (2015) identifies personal services as being "characterized by the employer-employee relationship it creates between the Government and the contractor's personnel" (Part 37.104). This relationship places the contractor under "relatively continuous supervision and control of a Government officer or employee" (FAR, 2015, Part 37.104).

Three more FAR clauses are required on all service contracts in addition to FAR and FAR 52.246-5. FAR 52.237-1 and FAR 52.237-2 are required on all non-construction service contracts on government installations. FAR 52.237-1 urges offerors to inspect the area in which services are to be provided in order to submit more accurate quotes (FAR, 1984). FAR 52.237-2 requires contractors to "use reasonable care to avoid damaging existing buildings, equipment, and vegetation on the government installation" (FAR, 1984). Lastly, FAR 52.237-3 is required for all vital services in which service interruption is not tolerable (FAR, 1991). The full text of the above mentioned FAR clauses can be viewed in Appendix D through F, respectively.

B. SERVICE CONTRACTING BEST BUSINESS PRACTICES

Service contracting best business practices are presented within the three phases of the contract life cycle, as detailed in *The Contract Management Standard* (National Contract Management Association [NCMA], Version 1.0, n.d.) and *World Class Contracting* (Garrett, 2010). The three phases of contract management are the pre-award phase, award phase, and post-award phase (Garrett, 2010; NCMA, Version 1.0, n.d.). A brief description of each contracting phase is provided as the introduction to each subsection and followed by best business practices common in the commercial and governmental arenas.

1. Pre-Award Phase

The National Contract Management Association (NCMA, Version 1.0, n.d.) describes pre-award phase activities as "shaping the customer requirements for products or services, and then developing a comprehensive acquisition plan to fulfill those requirements in a timely manner at a reasonable price" (p. 6). Garrett (2010) describes the pre-award phase in a little more detail. He adds that during the pre-award phase, the buyer will conduct "procurement planning, solicitation planning, and solicitation" (Garrett, 2010, p. 20). Though slightly different, both NCMA (2017) and Garrett (2010) describe the phase in similar terms. The bottom line is best business practices in the pre-award phase include anything that guides the procurement plan or acquisition plan as well as the solicitation structure or strategy. The pre-award phase ends with the release of

a Request for Proposal (RFP) (Garrett, 2010). Subsections *a* through *f* provide some of the documented commercial and governmental best business practices that will support contracting for services in the pre-award phase of the contract life cycle.

a. Seven Steps to Service Acquisition

The DOD (2016) has created seven steps for all service acquisitions. Each step is supported by the commercial marketplace and described throughout this subsection. As outlined by DOD (2016), the seven-step process for service acquisitions is provided below:

1. Form the Team
2. Review Current Strategy
3. Perform Market Research
4. Define Requirements
5. Develop Acquisition Strategy
6. Execute Strategy
7. Manage Performance (p. 4)

Steps one through five take place in the pre-award phase, step six is the award phase, and step seven is the post-award phase. Steps one through five are briefly described below using guidance provided by the DoDI 5000.74 (DOD, 2016), General Services Administration's (GSA) *7 Steps to Performance Based Services Acquisitions* (GSA, 2005), and the DOD's *Guidebook for the Acquisition of Services* (DOD, 2012). Step six is discussed in the award phase section and step seven in the post-award section.

Step one is "Form the Team" (DOD, 2016, p. 4). According to GSA (2005), the "team" is known as an Integrated Project Team (IPT). An IPT consists of senior management, key stakeholders, and the IPT members. IPT members should be comprised of multiple disciplines and have their roles and responsibilities clearly defined in an IPT charter. A well-rounded IPT is more capable of properly defining requirements, resolving problems, selecting the best course of action, analyzing proposals, and inspecting completed services (GSA, 2005). Team formation includes rules of conduct developed

using the forming, storming, norming, performing, and adjourning framework in order to facilitate collaboration and efficiency (Prajapati, 2016). Prajapati (2016) goes on to explain that understanding the team dynamic and developing the team through the various stages of the team formation process results in a higher performing group. DOD (2012) explains that IPT members must be empowered to make decisions during the contract life cycle. Furthermore, the knowledge gained throughout the process must be retained and passed down as new members join the group to replace other members that are moving. Lastly, the GSA (2005) notes the importance of tying incentives to program goals vice acquisition goals in order to provide incentives based on deliverables vice the number of awarded contracts or contract actions.

Step two is "Review Current Strategy" (DOD, 2016, p. 4). A proper review of the strategy/plan includes analyzing the current methods used and evaluating their effectiveness as well as determining what can or should be improved (DOD, 2012). Commercial companies have long considered the review of current strategy to be a critical step during acquisition planning (Rappaport, 1979). Although in the context of mergers and acquisitions, Rappaport (1979) explains that completing an acquisition strategy analysis will aid in defining objectives and criteria. Rappaport's explanation directly applies in contracting. Objectives and criteria must include the use of performance metrics and incentives as part of the acquisition strategy/plan, especially in a sole source acquisition, in order to gain continued efficiencies and cost savings (DOD, 2016). This will help ensure that industry obtains a fair and reasonable profit while the government maintains supplier flexibility, especially when significant intellectual property issues are present. The use of "should cost" analysis and cost reduction targets is mandatory (DOD, 2016, p. 5). Lastly, DOD (2012) explains that a review of the current strategy provides the acquisition planners with a view of past performance. Indications that past performance was poor may result in a restructured acquisition strategy (DOD, 2012).

Step three is "Perform Market Research" (DOD, 2016, p. 4). Conducting market research provides a competitive advantage and mitigates buyer risks (Hargraves, 2008). The goal of market research when contracting for services is to provide government

acquisition professionals with knowledge of industry capabilities and technology in order to maximize the use of commercially available services (GSA, 2005). GSA (2005) explains how market research drives the "government's ability to purchase best-value products and services" and must be a continual process, even in the absence of a requirement (p. 11). Hargraves (2008) concurs with GSA (2005) and explains that market research "should itself be active, dynamic and constantly undergoing revision" (Hargraves, 2008, p. 1). GSA (2005) argues that the entire IPT must be involved and committed to market research. Communications with private-sector suppliers must be established prior to the creation of an acquisition strategy. Such communications can be generated through industry days, requests for information, sources sought notices on the government-wide point of entry, or pre-solicitation conferences (GSA, 2005). It is important to note, as explained by the GSA (2005), that market research does not simply mean studying the private-sector, but includes the public-sector as well. Many agencies have faced the same problems and can often provide inter-agency support, collaboration, or share their lessons learned/best business practices from past experience (GSA, 2005). Additionally, market research is not confined to supplier capabilities but includes their best practices, performance measurement methods and metrics, delivery methods, and incentive structures (DOD, 2012). Lastly, market research must include a review of current government contracts (FAR, 2016). FAR 10.002(b)(2)(iv) guides the market researcher to the government contract directory in order to research if any multiple agency contracts that can be leveraged to fulfill the requirement exist (FAR, 2016).

Step four is "Define Requirements" (DOD, 2016, p. 4). The GSA (2005) states, "The most effective foundation for an acquisition is the intended effect of the contract in supporting and improving an agency's mission and performance goals and objectives" (GSA, 2005, p. 9). GSA (2005) is describing the need to properly define the requirement in order to legitimize contractual actions. In fact, poorly defined requirements and changes in requirements are the two main factors causing contracts to overrun schedule and cost (EnFocus Solutions, 2012). GSA (2005) recognizes the criticality of a defined requirement and guides the acquisition team to first develop the desired end-state. The end-state should be described at the highest level possible and take into account all

information developed from step three. Similar or previous requirements cannot be simply regurgitated on the new contract, but must be synthesized by the IPT. Once the IPT determines the end-state they must decide how to identify when the end-state has been achieved. Part of this process includes identifying the key elements for achieving a successful outcome (GSA, 2005).

Step five is "Develop Acquisition Strategy" (DOD, 2016, p. 4). This step includes determining contract type, incentives (discussed further in subsection *e*), determining evaluation criteria, and allocating workload (DOD, 2012). With regards to contract type, FAR 37.102 (2015) prioritizes a fixed-price contract structure for service acquisitions (FAR, 2015). DAU (2010) identifies lowest-price-technically-acceptable (LPTA) and trade-off as the two most common proposal evaluation methods. LPTA is based solely on awarding the contract to the lowest bidder that meets the government's minimum technical requirement. The trade-off method awards the contract after considering and weighing both price and non-price factors. The non-price factors may include past performance, technical capability, reliability, or proposed solution (DAU, 2010). Lastly, the workload required during this process is steep, so distributing work throughout the IPT is the only effective method of accomplishing the task (DOD, 2012).

b. Bidders Conferences

Garrett (2010) elucidates how complex requirements are accompanied by elevated levels of risk, to both the buyer and the seller. Even the most detailed and scrutinized requirements documents may be misinterpreted by potential offerors. The result of such misinterpretation could lead to proposals and quotes that are infeasible, based on the vendor's capabilities or the allotted timeline to satisfy the contract requirements. The use of bidders' conferences is a popular tool to alleviate the risk of having a misinformed vendor (Garrett, 2010). Such conferences can be held before releasing the RFP, to aid in acquisition planning, or after releasing the solicitation and before any proposals are submitted, to clarify any questions posed by offerors. The commercial sector is an avid user of the bidders conference; however, a more popular civilian term is the pre-bid meeting (Lynch, 2013). Both the bidders conference and pre-bid meeting are identical in

terms of purpose and execution (Garrett, 2010; Lynch, 2013). A bidders' conference is a meeting between the buyer and prospective sellers. The conference is held before the seller prepares a proposal and can be conducted in person, video conference, telephone, or online. Garrett (2010) describes the purpose of the bidders conference as a method to allow the buyer to answer any vendor questions regarding technical or contract requirements. This helps to ensure a common understanding of the buyer's needs and allows the contractor to submit a proposal within their capabilities and profit requirements.

c. Strategic Sourcing

Though not specifically related to the contract management life cycle, many organizations use a strategic sourcing approach for the acquisition of services. Strategic sourcing is defined as "the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently" (GSA, n.d., para. 1). In short, use an enterprise-wide approach to procure common items as one big customer, rather than numerous small customers. According to The National Association of State Procurement Officers (2013) the practice of strategic sourcing was first introduced into the commercial sector in the 1980s (National Association of State Procurement Officers [NASPO], 2013). In 2003, the Air Force launched their first strategic sourcing program to guide the acquisition of computers (Rendon, 2005). By 2005, strategic sourcing was formally implemented by the federal government via the OMB memorandum *Implementing Strategic Sourcing* (OMB, 2005). Strategic sourcing allows the buyer to leverage their aggregate demand to increase buying power, reduce the number of suppliers, better understand spending patterns, improve quality, increase efficiencies, and achieve savings (NASPO, 2013).

In 2006 the USD Acquisition, Technology, and Logistics (AT&L) released a memorandum titled, *Acquisition of Services Policy* (Krieg, 2006). This memorandum contained five objectives, one of which is that "services are acquired using a strategic, enterprise-wide approach, which is applied to both the planning and execution of the

acquisition" (Krieg, 2006, p. 1). Then in September 2012, GAO recommended for the DOD to set strategic sourcing goals, establish procedures to track strategic sourcing efforts, and create metrics to track progress toward meeting the strategic sourcing goals. In response, DOD created senior management positions for the acquisition of services and designated officials responsible for strategic sourcing as well as established offices to identify and implement strategic sourcing opportunities (DiNapoli, 2017).

The Air Force first outsourced base operations support (BOS), the equivalent of the USMC's FSC, in 1996 (Rendon, 2001). Then in 2001, the RAND report *Federal Contract Bundling* provided the Air Force with a framework for bundling contracts as well as a rationale supporting the bundling of multiple services into fewer larger contracts (Baldwin, Camm, & Moore, 2001). Baldwin et al. (2001) explains that strategically reducing supply bases allows the formation of partnerships with more integrated service providers. This partnership then allows the buyer to reap the rewards of continuous process improvement across the entire spectrum of the services being provided. The result is improved performance and reduced costs. The formation of said partnerships is nearly impossible when numerous providers are used. Furthermore, commercial companies have reportedly achieved their greatest improvements when they reduce their supply base by 40 to 50 percent (Baldwin, Camm, & Moore, 2001).

The Air Force has led the services in strategic sourcing. The Air Force has created three Enterprise Sourcing Squadrons (ESS) that fall under the Air Force Installation Contracting Agency (AFICA). ESS 771, 772, and 773 are responsible for strategic sourcing and enterprise-wide acquisition solutions. ESS 771 serves as the Air Force's Center of Excellence (COE) for strategically sourced installation-level commodities (AFICA, 2016). In 2013, the Air Force announced plans to standardize contracted base operations support (Weckerlein, 2013). A standard list of installation support services comprised of 40 functions was generated. The standardized list can be used to generate one large contract to provide the 40 standard installation support services to all Air Force installations. Between FY11-FY16 the Air Force managed 11 projects utilizing strategic sourcing and realized $481.68 million in cost savings (Headquarters United States Air Force [HQUSAF], 2017).

d. Information Tracking and Forecasting

In 2012, the Office of the Under Secretary of Defense (OSD) Director, Defense Pricing released a memorandum titled, *Taxonomy for the Acquisition of Services and Supplies & Equipment* in order to provide a map of product service codes (PSC) containing 16 portfolio groups and 70 portfolios (Assad, 2012). According to Mr. Shay Assad's approved taxonomy, Facility Related Services make up one portfolio group containing nine portfolios, one of which is Building and Plant Maintenance (Code 540, Category 24, PSC Z Maintenance and Repair of Facilities). DOD (2016) designates the taxonomy portfolios as the vehicle for tracking services purchased by the DOD as a whole. This data can be synthesized to conduct spend analyses and forecasting. DOD explicitly supports the use of the taxonomy and states, "Portfolio management enables a framework for strategic oversight by the USD AT&L, coupled with decentralized execution by the DOD Components" (DOD, 2016, p. 13). DOD (2016) explains that addressing requirements from an enterprise-level ensures contracts align with mission, performance, and cost objectives. Furthermore, DOD mandates management procedures and systems to ensure that all service contracts are categorized with a PSC established by the taxonomy for acquisition of services, at the contract line item level (DOD, 2016).

Mihm (2017) explains that in order to improve service acquisition and budget forecasting one must know "what the department is buying today and what it intends to buy in the future" (p. 484). Forecasting is part of the lifeblood of private businesses. Forecasting not only enables better planning but also enables a company/agency to manipulate objectives in order to succeed in changing marketplaces (Lambert, 2011). Even though the importance of forecasting is well known and an established taxonomy for the acquisition of services exist, military branches are only tracking requirements for the current year plus one future year (MIHM, 2017). Recently, Army Command Program Guidance Memorandum was released requiring each command to forecast service requirements for FYs 2018–2022 (MIHM, 2017). Analyzing the data captured, via proper use of the taxonomy, facilitates forecasting multiple years in the future. Accurate forecasts enable more effective cost reductions as well as highlight growing programs that may require additional future funding.

e. Incentives

Private companies are motivated primarily by profit; therefore, properly structured incentives are effective tools for modifying, encouraging, discouraging, and guiding contractors' behaviors. Since the industrial revolution, the use of incentives, in the commercial marketplace, has been a popular approach to guiding employee, supplier, and customer behavior (Work Place Consultants, n.d.). Some of the earliest incentives took the form of employee pensions designed to convince a business's workforce to stay with the company for decades (Work Place Consultants, n.d.). It was not until the 1960s, however, that government contract incentives began to gain popularity (Hildebrandt, 1998). The use of incentives has continued to gain steam. In fact, FAR part 37 (2015) encourages the use of performance incentives (both monetary and non-monetary) when using performance-based contracting methods. However, a 2008–2009 survey consisting of 300 collective responses from the Army, Navy, and Air Force found that just over 93 percent of service acquisitions did not incorporate incentives (Rendon, Apte, & Apte, 2012). Rendon goes on to explain that the high percentage of contracts not using incentives may be a result of contracting for commercial services. Commercial services typically have a well-defined end state and vendors understand the process of providing the service, therefore, incentives to reward the contractor for going above and beyond the base requirement may not be desired (Rendon et al. 2012). One common knowledge idea, however, is the contractor will almost never go above the base requirement without an incentive to do so.

The DOD's *Guidebook for the Acquisition of Services* offers sage advice when attaching an incentive structure to a service contract (DOD, 2012). The DOD explains the criticality of understanding the ramifications of assigning the incentive. Contractors will always place more emphasis on earning the maximum incentive, even at the cost of negative performance in other non-incentivized areas. The importance of tying incentives directly to the mission and contract goals cannot be understated. It is also important to understand that incentives can be either positive (giving the contractor more money for going above and beyond) or negative (contractually forcing the vendor to do re-work at no added charge for unsatisfactory deliverables) (DOD, 2012). DOD (2012) and GSA

(2005) identify some of the more common types of incentives. These include performance incentives (based on objective measurable criteria), award fee/term (based on subjective criteria), small business incentives (to encourage the use of small businesses), the generation of past performance reports (a non-monetary incentive which can benefit the contractor when competing for future contracts by showing previous positive performance), vendor awards/letters of commendation, non-performance remedies, and share-in-savings strategies (DOD, 2012; GSA, 2005). Non-monetary incentives, such as past performance reports, can be a very strong motivator for a contractor because these reports will have an effect on the contractor's ability to be awarded future contracts.

The DOD (2012) concludes their discussion on incentives by reminding acquisition professionals to tie incentives to the appropriate area, do not be afraid to communicate with potential vendors and stakeholders when designing incentives, ensure the incentive is attainable, and use the following questions to guide the construction of an incentive strategy:

- Does the incentive support the mission, goals, and requirements?
- Will the incentive result in value added?
- Are there areas of the contract that could benefit the most from incentives?
- Are there areas that don't require incentives?
- Is there a willingness-to-pay for the added performance the incentive will provide?
- Is the incentive affordable?
- Can the incentivized area be measured to ensure proper award/non-award?
- Can a cost-sharing strategy be implemented?
- Will the incentive provide holistic positive effects?
- Does the incentive structure benefit both the buyer and the seller?

- Does that contractor have total performance control over the incentivized area? (DOD, 2012, p. 40).

2. Award Phase

The award phase, per NCMA (2017) and Garrett (2010), includes everything required to award a contract. This includes evaluating offers, conducting negotiations, source selection, contract award, and debriefing offerors. Best business practices in the award phase cover any practice that guides individual actions in the award phase. The award-phase is complete once a contract has been awarded. Recall step six, Execute Strategy, from the DOD (2016) *7 Steps to Service Acquisitions*. This step includes source selection, contract award, and debriefing unsuccessful offerors. GSA (2005) describes source selection as the most critical and time intensive aspect of executing the strategy. Source selection consists of three main best practices, competing the solution, down-selecting, and due-diligence. As such, these three aspects will be discussed individually and separate from contract award and debriefing.

a. Competing the Solution

Competing the solution is facilitated by utilizing a Performance Work Statement. For example, some believe a statement of work describing everything from manpower to techniques result in less risk of the contractor failing to perform, even when contracting for services (GSA, 2005). The GSA (2005) warns against this mentality and even notes that detailed descriptions of how to perform every task, in fact, increases the risk to the government. Such a statement of work will be strictly followed by the contractor, even when the contractor is well aware of a more efficient means of accomplishing the tasks. Furthermore, the contractor will continue to follow the statement of work even if they know that doing so conflicts with the desired outcome. The worst part of this scenario is that the detailed statement of work that lead to contract failure may be able to protect the contractor. A more successful approach is to clearly define the desired outcomes and allow vendors competing for the contract to provide their solutions, performance measures, and methodologies (GSA, 2005). Comparing each vendors' solutions becomes a determining factor in source selection. Companies, such as Supplier Select (2017), have

built vendor comparison charts to aid the commercial marketplace in analyzing vendor solutions. The vendor comparison chart is based on weighted scoring results from each proposal and even allows the source selection team to visualize the effect of altering the weighted guidelines scheme (Supplier Select, 2017). The government also uses weighted evaluation criteria when reviewing proposals. Evaluation weights are assigned based on what end of the best-value continuum the source selection criteria fall, lowest price technically acceptable or highest technically rated offer (FAR, 2017).

b. Down-Selecting

Down-selecting is the process of narrowing the competitive range by eliminating proposals. The Mitre Corporation (2017) describes this as a "multi-step technique [allowing for] more manageable and efficient source selection" (para. 3). This method is popular because interested suppliers do not waste resources developing products or proposals for a requirement in which they are not competitive while the government is given the ability to better assess proposals within a competitive range (Mitre, 2017). The proposals being eliminated are selected based on a reasonable postulation of the unlikeliness of that vendor being awarded the contract (GSA, 2005). This may occur even in the absence of a detailed proposal analysis. The result of the down-select process is a smaller pool of highly qualified proposals. The IPT then commits their time, energy, and resources to a complete analysis of the newly established competitive range (GSA, 2005). In certain situations, a multiple award contract strategy may be used in order to obtain services from any of the highest qualified vendors throughout the contract life cycle without re-competing the entire contract.

c. Due-Diligence

The due-diligence process begins once the narrowed competitive range is established. However, the Contracting Officer may further reduce the competitive range to as few as would allow a suitable competition and evaluation (FAR, 2017). The due-diligence step is designed to allow the offeror to become more knowledgeable about the agency's needs rather than allow the government to become more knowledgeable about the proposals (GSA, 2005). The GSA (2005) emphasizes the need for the offerors to have

access to the IPT, and the due-diligence process is characterized by open communication that allows each offeror to provide their best solution proposal.

d. Contract Award and Debriefing

Contract award simply means that a source has been selected and appropriate signatures have been obtained to create a binding contract (GSA, 2005). This action must be publicized and protests may be filed. All protests must receive a determination from the appropriate agency prior to the start of contract performance.

Debriefing, as directed by the FAR (2017), includes notifying offerors when they have been excluded from the competitive range. The FAR (2017) continues by explaining unsuccessful offerors have the right to the following information, sent to them in writing:

(1) The number of offerors solicited

(2) The number of proposals received

(3) The name/address of each offeror receiving an award

(4) The items, quantities, and any stated unit prices of each award

(5) In general terms, the reason(s) the offeror's proposal was not accepted, unless the price information...readily reveals the reason (Part 15.503[b]).

Therefore, a solid source selection plan is critical for preventing the sustainment of protests. Closely following a sound and logical source selection plan facilitates an expeditious generation of the notification letters and may help the government maintain the public trust.

3. Post-Award Phase

The post-award phase begins when the award phase ends. Tasks in the post-award phase include monitoring compliance of the terms and conditions, addressing any issues during contract performance, executing contract modifications, making payments, and contract closeout/termination (Garrett, 2010; NCMA, 2017). The post-award phase ends when the contract has been successfully closed or terminated (Garrett, 2010). Recall step seven, Manage Performance, from *7 Steps to Service Acquisitions* (DOD, 2016). This

step outlines common post-award best business practices in both government and commercial acquisition. This step includes transitioning to performance management, administering the contract, managing performance results, and documenting lessons learned (GSA, 2005).

a. Transitioning to Performance Management

GSA (2005) explains that the transition from acquisition to performance management is a critical function and, if done correctly, will ensure the contractor delivers services within the terms and conditions of the contract. The three most important aspects to accomplish this transition is maintaining team integrity, using Contracting Officer's Representatives (COR) to evaluate contractor performance, and bringing the contractor into the IPT (GSA, 2005). Maintaining team integrity provides the best chance of facilitating a successful transition to performance management because the IPT members who managed the acquisition are the most knowledgeable about the contract requirements (GSA, 2005). The United States Army (2002) illustrates how CORs, when given appropriate roles and responsibilities, serve as the government's front-line of defense. The COR is the government representative evaluating the contractor's performance. Early indications of underperformance can be identified by the COR and may prevent contract failure. Additionally, COR evaluations provide the contractor with the feedback they need to make process corrections and establish or reinforce best business practices (United States Army [USA], 2002). Lastly, as explained by DOD (2012), the contractor should be welcomed to the IPT. The contractor is actually performing the work, therefore, open lines of communication between the IPT (requirements generators and stakeholders) and the contractor must be maintained in order to ensure contract success and customer satisfaction. Furthermore, it is in the best interest of all for the contractor to know immediately of any noted deficiencies in order to allow time for remediation (DOD, 2012).

b. Administering the Contract

DOD (2012) notes that administering the contract ensures accuracy and completion of billing, payments, and modifications. The contractor's invoices should be

validated and costs should be tracked, when appropriate, prior to completing payments to the contractor. A plan should be generated that will facilitate data collection at the lowest level possible (DOD, 2012). The period of performance for services contracts often spans several years, therefore, it is safe to assume that changes to the original contract will occur. Changes in personnel will also be a fact of life during the contract period of performance. The Contracting Officer is the only government representative with the authority to modify the contract, therefore, appropriate controls must be in place in order to ensure the transfer of knowledge and authority as personnel changes (GSA, 2005).

c. Managing Performance Results

As mentioned above, the CORs will be the technical representatives measuring the contractor's performance (USA, 2002). The performance measurement results should be used by the IPT to establish performance trends. Keeping track of performance trends provides a proactive approach to problem management and may prevent conflicts (DOD, 2012). Systems, such as the Contractor Performance Assessment Reporting System (CPARS) and the Past Performance Information Retrieval System (PPIRS), are available for documenting, archiving, and retrieving performance information.

Maintaining open communications with the contractor is critical for ensuring successful performance management (DOD, 2012). The contractor must be aware of how their service quality is viewed by the government. This can be accomplished by conducting frequent performance reviews with the contractor (GSA, 2005). According to Service Performance Incorporated, large projects should be reviewed quarterly, medium projects bi-annually, and small projects annually (Arlen, 2008). Complexity, level of risk, and the speed at which industry changes all affect the frequency of performance reviews (Arlen, 2008). It is not uncommon on complex or critical government contracts for weekly performance reviews to occur, especially in the early stages of contract performance. GSA (2005) cautions that one should ensure discussions are based on factual data obtained from objective measurable metrics. If objective metrics are nonexistent, sufficient reasonable support must be provided to validate the subjective view (GSA, 2005). Performance reviews also help to keep the contract on course and

facilitate the appropriate modifications (GSA, 2005). It is always prudent to ask the contractor if the government is levying any requirements that impede their ability to perform at cost, on schedule, and with the required quality (DOD, 2012).

d. Documenting Lessons Learned

Lastly, lessons learned should be documented and a plan to achieve continuous improvement should be developed. Many of the services the government contracts for are duplicative, either in other agencies or from year to year. Maintaining succinct and effective lessons learned facilitates process improvement for both the buyer (government) and the seller (contractor). It is imperative to document the strategies used and the level of success achieved implementing the aforementioned strategies in the lessons learned. Continuous process improvement should be a goal in all service acquisitions, especially with a long-term period of performance (DOD, 2012). Process improvement can be realized by actions from both the government side and the contractor side, therefore, the process improvement efforts should be collaborative.

C. ENCOURAGING INNOVATION

Innovation, as defined by *Merriam-Webster* (2017), is "the introduction of something new." This report provides a more specific definition. Innovation in FSC is the introduction of any new, new to the organization, or cutting edge processes, techniques, or technology with the goal of reducing cost, increasing quality, or increasing efficiency. In order for innovation in government contracting to be successful, four objectives must be attained (Brown, 2014). First, the innovative solution must protect the taxpayer from fraud and abuse. Secondly, the innovative solution must prevent government corruption. Third, the innovative solution must allow the government to take advantage of scale and efficiency. Fourth, the innovative solution must prevent supplier discrimination (Brown, 2014). Strategies to encourage innovation are presented within the three phases of the contract life cycle, as detailed in *The Contract Management Standard* (NCMA, Version 1.0, n.d.) and *World Class Contracting* (Garrett, 2010).

1. Pre-Award Phase

The pre-award phase definition, used in Section B, still applies (Garrett, 2010; NCMA, Version 1.0, n.d.). The subsections below provide relevant pre-award phase strategies to encourage innovation. Again, as stated in Section B, the pre-award phase ends with the release of an RFP (Garrett, 2010).

a. Release a Problem Statement Before Releasing an RFP

Release a problem statement and allow potential bidders to compete the solution (Brown, 2014). Brown (2014) goes as far to suggest abandoning the use of an RFP altogether and describes it as arcane. Whether an RFP is used or not, however, is irrelevant when considering the use of a problem statement because the problem statement can precede the release of an RFP. Similar processes of releasing requests that precede the official RFP already exist in federal contracting; three of these documents are Requests for Information (RFI), Sources Sought Notices (SSN), and a Statement of Objectives (SOO) accompanying the RFP. Additionally, a draft RFP may be submitted to solicit responses without incurring an obligation to purchase (FAR, 2017). The difference though, is an RFI is typically seeking broad data and understanding (Mhay & Coburn, 2008) and a SSN is used to determine marketplace interest (Schadl, 2017). The SOO is the most similar to a problem statement; however, it is typically more detailed (up to 4-pages long) and used to address product-oriented goals (Naval Air Warfare Center [NAVAIR], 2013). A SOO can be easily modified, however, to mimic a problem statement. Brown (2014) describes the problem statement as being written in as general of terms as possible because broadly describing an issue frees the potential offeror from the confines of uninformed thinking and encourages innovative thought and creativity. Additionally, a problem statement may get companies interested in the potential solicitation and help them submit their best proposal (Brown, 2014). For example, the problem statement might say, “The main sidewalk near the base exchange accumulates litter.” You may receive solutions from vendors looking to provide personnel to pick up trash on the sidewalk and bring it to a proper disposal area; you may have vendors proposing the installation of additional trashcans, or even a vendor that has an

autonomous robot capable of retrieving garbage. Solutions to this problem are only restricted by imagination. In contrast, a SOW/SOO/PWS stating, "We need a sidewalk sweeper and an operator to keep the exchange sidewalk clean" provides strict limitations on contractor creativity.

b. Private-Sector Advisors

FAR 10.002(b)(2)(i) (2016) already promotes contacting government and industry experts to identify market capabilities. What many do not realize, however, is that researching market capabilities is not just figuring out what you can buy and where to buy it, but includes the unique innovative solutions and processes common in the commercial marketplace. In the commercial marketplace, this is more commonly known as researching your competitors (Dahl, 2011). There was a time when all the best technology and management concepts originated in the government, however, that age has passed (Brown, 2014). The modern prudent approach is to reach out to private-sector experts or businesses to identify current capabilities, as instructed in FAR part 10 (2016), as well as researching and communicating with businesses that have solved the same problem and ask them or discover how they achieved efficiency, quality, innovation, and effectiveness (Dahl, 2011). Simple questions such as, "How do you solve this problem" or "What exactly is cutting edge" can be invaluable sources of information (Brown, 2014). Expert advice aids the procurement team in identifying processes and technology that they may not have been privy too. Furthermore, the requirements generators benefit from this type of market research because it gives them a better understanding of what to ask for and what is possible (Brown, 2014).

The Department of Treasury and Finance (DOTF) for Australia's Victorian Government also supports contacting private-sector experts for procurement advice (Australia Department of Treasury [ADT], 2012). Businesses must continually evolve and improve in order to stay alive in the competitive marketplace, government does not. It is only natural for competitive companies to seek and adopt innovative solutions more expeditiously than their government counterparts (ADT, 2012). The wealth of knowledge

in the competitive marketplace should be harvested through effective communications prior to releasing the RFP.

c. Offeror Developed PWS

Utilizing a PWS, prepared by the government, or a SOO in conjunction with an RFP vice a SOW is already a step in the right direction for encouraging innovation. The optimum approach for encouraging innovation is for the government to release a SOO as part of the solicitation and allow the offerors to respond with their own developed PWS as part of their proposal. This gives the offeror the maximum latitude for determining how to complete the work. A less optimum solution, but better than a SOW, is for the government to release a PWS as part of the solicitation and the offerors respond with that same PWS in their proposal. However, an overtly strict and restrictive PWS leaves no room for flexibility and deters potential offerors from submitting a bid (Brown, 2014). FSCs often span several years, therefore, one can guarantee a new technology or best practice improving the service will be invented. Using and developing such practices or technology is encouraged when performance restrictions are reduced. Conversely, as pointed out by Brown (2014), a strict PWS, prepared by the government, does not account for the exponentially increasing pace at which technology and processes are created and may stifle the supplier's ability to propose their best solution. Encourage innovation by erring on the side of less details versus more details in order to maintain flexibility throughout the contract life cycle (Brown, 2014).

d. Incentives

In order to promote a desired behavior one must provide an incentive. This truth remains standard from the earliest point in life and endures throughout. Therefore, if the desired behavior is to encourage innovative thinking and performance above and beyond the base requirement, then an incentive must be provided. The most common incentive is money, either in the form of additional payments in the period of performance or awarding additional contracts to the vendor. Both of these avenues of encouraging innovation are great places to start. In order to create successful incentives, the IPT must establish target performance standards above the base requirement and assign incentives

that reward the contractor for achieving the incentive standard (Costello, 1997). As mentioned above, however, it was found in 2009 that over 93% of military service contracts were not using incentives, even though doing so is recommended by government acquisition regulations (Rendon et al. 2012). This fact makes it unsurprising that innovative solutions are not commonplace in FSCs.

It is no secret that every private company is profit motivated, however, the procurement team must think outside the box. Money is not the only incentive. Take the time to speak with potential suppliers during market research and get an idea of what that vendor truly values (Robbins, 2015). Value can be found in surprising areas if you just look. Some of the most innovative companies incentivize innovation by simply providing employees with the time to be creative and think of solutions (Kessenger, 2015).

2. Award Phase

The award phase definition, used in Section B, still applies (Garrett, 2010; NCMA, Version 1.0, n.d.). The subsections below provide relevant award phase strategies to encourage innovation. Again, as stated in Section B, the award phase concludes when a formal contract is awarded (Garrett, 2010).

a. Terms and Conditions: A Collaborative Approach

Allow the contractor to partake in creating the contract terms and conditions in order to create risk-sharing initiatives (Brown, 2014). This will also serve as a process to identify how each party can solve the other's perceived issues before contract performance begins. Sharing costs and sharing savings is the most common way to share risks (ADT, 2012). This is already common practice with both cost-reimbursable and fixed-price contracts and is known as the share ratio. In this instance, the government identifies a target cost, establishes percentages detailing how much of an overrun the government will pay for, establishes percentages detailing how much of an underrun the government will share with the contractor, and sets a point of total assumption in which the contractor is fully liable for any additional costs (Antonio, 2003). For example, a 50/50 share ratio would mean the government and contractor would split the added expense of surpassing the target or split the savings for staying below the target.

Additionally, the government can establish a point of total assumption in which any cost incurred beyond the threshold is the sole responsibility of the contractor. Bringing the contractor into the share ratio decision process helps ensure a ratio that is agreeable to both parties. Lastly, a collaborative terms and conditions process helps foster an integrative relationship in which greater value is created and shared instead a distributive relationship with a fixed value in which one party wins while the other loses (Mehta, 2012). Integrative relationships tend to provide both parties with more value that either would receive in a distributive relationship (Mehta, 2012).

3. Post-Award Phase

The post-award phase definition, used in Section B, still applies (Garrett, 2010; NCMA, Version 1.0, n.d.). The subsections below provide relevant post-award phase strategies to encourage innovation. The post-award phase ends when the contract has been successfully closed or terminated (Garrett, 2010).

a. Create a Culture of Innovation

Do not penalize the contractor for a failed innovative solution (The Young Entrepreneur Council [TYEC], 2015). In my opinion, this is the most common way to stifle innovation. The contractor is always focused on the bottom line (cash flow and profit). Any behavior that could jeopardize the bottom line creates a disproportionate risk-reward scenario, meaning the contractor is not going to take unnecessary risks. It is critical to understand that innovation is synonymous with risk (McCann Health, 2016). New ideas, technology, and processes have a higher failure rate than well documented and proven methods, however, "smart companies are built in a way that allow for failure" (TYEC, 2015, para. 5). Failure must be accepted, if not encouraged, when innovation is desired. Facebook has a relevant motto that could benefit government contracting, "Move fast and break stuff" (Abbruzzese, 2016, para. 1). This is a clever adaptation of the popular military adage, "It's easier to ask for forgiveness than it is to ask for permission." Simply put, encourage the rapid implementation of innovative thought without complex approval processes or fear of aggressive reprimand (TYEC, 2015).

b. Make Innovation a Competition

Most individuals enjoy competing and this is especially true with service members, therefore, make innovation a competition. The Department of Health and Human Services is already doing this; they have created a *Shark Tank* style format for employees to pitch their ideas to senior leaders (Rathi, 2014). Rathi cautions, however, that to make the competition successful you must do the following four things:

1. Be as specific as possible about what competitors are trying to do without limiting the manner in which success is achieved. Do not just say, "be innovative" or "create a new process to save us money" but establish metrics and goals to achieve.

2. Break up the challenge into manageable tasks, such as only requiring a one page pitch before asking for a large time commitment or detailed plan. This will encourage more participants to join the effort.

3. Provide resources and internal mentors to guide competitors through the process.

4. Understand that value is gained even in the absence of results. Service members and employees will learn new skills, foster cross-organizational communication, and stimulate a creative environment. (Rathi, 2014, para. 4-9)

I believe that to make competing more worthwhile for Marines an award must carry some weight. For example, the higher the rank of the person signing the award the better. Awards can have huge positive impacts on a service member's or a government employee's motivation, retainability, accelerated promotion potential, and job satisfaction. Awards given to contractors provide a boost to their past performance history which aids in being awarded future contracts, especially if innovative past performance is an evaluation criteria during contract source selection. I contend that creating an award is arguably the easiest, most effective, and least costly method of obtaining results. Recognizing and rewarding creativity is also supported by The Young Entrepreneur Council (2015) and listed as one of their top 18 ways to encourage innovation.

D. CURRENT USMC FSC PROCESSES

I was unable to obtain full contract files for any USMC FSC. However, contract documents detailing the pre-award phase processes as well as limited award and post-award phase processes were available on the government-wide point of entry. These documents were reviewed in order to characterize the current contracting processes in this section. Navy Facilities Engineering Command (NAVFAC) provides unified processes and management of contracts, but rely on partnership with the installations they serve. Of note, Headquarters Marine Corps, Installation and Logistics (I&L) describes the Marine Corps participation in this process as ad hoc.

1. Pre-Award Phase

Pre-solicitation SSNs were publicized to determine the scale in which the small business sector could be relied upon for services. Vendors qualifying under the "Small Business Set Aside Program," such as "Service-Disabled Veteran Owned Small Business," "Women Owned Small Business," and "Historically Underutilized Business Zone" were encouraged to submit proposals (Small Business Administration, n.d.). When sufficient responses from the small business sector were received, the entire contract was designated as a small business set aside. The solicitation type was a negotiated RFP vice sealed bid.

FSC solicitations use an indefinite delivery indefinite quantity (IDIQ) contract with two base FFP CLINs, four option years, and five award terms. An award term plan was not available to the author; therefore, this project does not analyze evaluation criteria or methods for administering the award term. The first CLIN represents dozens of predetermined recurring and preventative maintenance tasks. The second CLIN represents a FFP IQ of unexpected or emergency work throughout the period of performance.

A PWS, vice a SOW, was used in the solicitation to describe the desired results. However, the PWS was accompanied by a fairly detailed work schedule. The schedule outlined what the contractor was required to do, when to do it, where to do it (down to the square foot in some instances), how to operate safely, and in some instances detailed how

the job would be conducted. For example, in one case the contractor was instructed to clear debris three feet from the edge of the asphalt when cleaning the jogging trail. Worklists were also provided detailing how specific work would be completed for some tasks. One such worklists provided a 21-step process on how to check unpaved roads and tank trails.

2. Award Phase

The trade-off source selection method was utilized rather than the lowest price technically acceptable method. Best value was determined using the tradeoff process between price and five non-price technical factors. Price was the most heavily weighted evaluation criteria and was considered equal in weight to the five evaluated technical factors combined. Each technical factor was equal in weight. Price reasonableness was evaluated based on competition, independent government estimates, historical information, and market survey responses. Unrealistically low price proposals were considered unacceptable. The following identifies and describes each non-price technical factor:

- Corporate Experience

Each vendor was allowed to submit past performance on up to five performance-based contracts within the previous three years. Past performance history was only evaluated if it was similar in scope, size, type, and complexity.

- Technical Approach

This technical factor was comprised of several plans. The offeror had to detail how they initially planned to provide the required support. This included work the contractor planned on performing as well as work the contractor planned to sub-contract out. If the offeror planned a joint venture, then details of this arrangement was required. The staffing plan supporting the FFP CLIN was required as well as the IQ CLIN staffing plan. A detailed plan for accomplishing the preventative maintenance, cyclic maintenance, and recurring work was required. A plan outlining how weight handling equipment would be inspected, load tested, and safely operated was required. Lastly, a plan for the management of government reimbursable direct materials was required.

- Management Plan

The management plan was required to detail a transition plan, client relationship management plan, subcontract management plan, and organizational chart. The organizational chart had to detail key personnel, an employee retention plan, service call plan, work surge management, and quality control. The management plan also had to outline what equipment, materials, vehicles, and facilities (other than government furnished) the contractor deemed necessary for the performance of the contract. Lastly, contractors had the option to describe any unique or innovative approaches they planned to implement on the contract. Of note, contractors with a history of innovative performance received a higher rating.

- Past Performance

This technical factor was evaluated based on responses received from Past Performance Questionnaires filled out and submitted by the offerors' previous clients. Questionnaires that were mailed or turned in by the offeror were not accepted. Additionally, the offeror was able to provide proof of any awards or recognition received in the previous three years. Performance history obtained through the Past Performance Information Retrieval System also made up the past performance factor.

- Safety

This technical factor required the offeror to submit a copy of their current worker's compensation insurance plan and carrier, Occupational Safety and Health Administration (OSHA) lost workday incident rate, OSHA recordable incident rate, safety awards received, and any federal, state, or municipal OSHA citations received.

3. Post-Award Phase

Performance evaluation meetings were utilized during the post-award phase. During the first two months of the period of performance the contractor and government representative met weekly. After two months, the meetings were held monthly or as needed. Contractor performance assessment reports were not available to the author. CORs were identified and appointed to observe and report on contractor performance.

E. SUMMARY

This chapter provided a detailed breakdown of the laws and regulations that must be followed when the government contracts for services. The regulations were obtained by analyzing the FAR, DFARS, NMCARS, Circular A-76, and DoDI 5000.74. Establishing the regulatory environment provided the lens in which best business practices was viewed while researching. This chapter outlined some relevant and recurring best business practices documented in civilian and governmental publications, guides, magazines, and manuals throughout all phases of the contract life cycle. Following said best business practices will purportedly increase a contract manager's ability to maintain efficient and legal contracting processes. Research conducted by Rendon (2015) assessed the U.S. Navy's contracting processes using the Contract Management Maturity Model. This model provides a means to benchmark current processes and conduct a customized analysis to generate programs for process improvement. Rendon (2015) found that processes in the pre-award phase were structured and functioning, but lacked integration while processes in the award and post-award phases were absent in some instances. The results of this research supported the need for a comparative analysis a continuous examination of processes. Additionally, this chapter presented strategies to encourage innovation throughout the contract life cycle. Encouraging innovation will aid in the government's ability to achieve performance above the base requirement. Lastly, this chapter outlined the current processes and practices utilized in USMC FSC.

The next chapter will discuss the research methodology. It will outline the data collection procedure and data analysis procedure. The next chapter will also discuss the assumptions made during the research and list all the limitations of this project.

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III. RESEARCH METHODOLOGY

A. DATA COLLECTION PROCEDURE

The order in which literature was collected and reviewed was laws and regulations, best business practices, innovative encouraging strategies, and USMC FSC documentation. Laws and regulations were reviewed first in order to establish the legal framework that confines government contracting. The FAR, DFARS, and NMCARS were obtained from the Air Force's FAR Site. The Defense Contingency Contracting Handbook Version 5 was obtained from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics web portal. The DoDI 5000.74 was obtained from the Defense Technical Information Center. All regulations are available to the general public.

Best business practices and strategies to encourage innovation were researched second in order to establish a baseline of common commercial and governmental best business practices. Best business practices were collected via open source and publicly available documents and text books. Sources included, but is not limited to, the Defense Acquisition University's Defense Acquisition Portal, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, the Harvard Business Review, The Young Entrepreneur Council, and RAND Corporation. Lastly USMC FSC documents were collected from the government wide point of entry. These documents were analyzed to determine the current processes and practices used in USMC FSC in preparation for the comparative analysis.

B. DATA ANALYSIS PROCEDURE

In order to organize and analyze the data, I utilized the contract life cycle framework provided by the NCMA and prominent contract management figure, Gregory A. Garrett. Garrett's book *World Class Contracting 5th Edition* (2010) and NCMA's *The Contract Management Standard* (Version 1.0, n.d.) describe three phases of the contract life cycle. The three phases are the pre-award, award, and post-award. These three phases of the contract life cycle are recognized and used by all Federal Government, DOD, and

military services. Organizing and analyzing the research in this manner enables a quick comparison between current processes and best practices. Additionally, this organizational method allows the reader to quickly find potential solutions depending on which phase of the contract life cycle they are working.

C. ASSUMPTIONS

- The contract files reviewed by the author are representative of all USMC FSCs.

D. LIST OF LIMITATIONS

- I was unable to review any complete FSC files, therefore, the comparative analysis outside of the pre-award phase of contracting is limited.
- Recommendations for strategies, practices, and processes in the award and post-award phase of contracting may be redundant with current USMC FSC practices.

E. SUMMARY

This chapter detailed the process by which the author collected research (regulations, best practices, innovation strategies, current USMC processes). The manner in which the literature was analyzed was also described (contract life cycle phases). This chapter also provide the assumptions the author made during the literature review and identified the limitations restricting this study.

The next chapter discusses the research questions posed by this project and provides answers based on the comparative analysis and literature review.

IV. FINDINGS

A. RESEARCH QUESTIONS

The research questions provided below served as the driving force for this project. These questions are timeless and appropriate for repeated study because of the pace at which the field of contracting evolves. Additionally, continuous process improvement, efficiency, and innovative solutions are the lifeblood of the Marine Corps and ingrained in every Marine's mind. This chapter discusses the findings for each research question.

1. What are the current practices and processes used for USMC facilities support contracting?

An analysis of USMC FSC contract documents revealed that best business practices are generally followed. Furthermore, the author noted no instances in which processes contradicted regulations. Practices encouraging innovation were discovered, however, they are minimal and deal exclusively with source selection.

Market research is conducted and even pre-solicitation sources sought notices have been released to determine the small business capabilities. Negotiated RFPs are used instead of sealed bidding because the contract award is based on both price and non-price factors (pursuant to FAR 6.401, 2017). FSCs are awarded/administered using performance-based contracting methods. FFP task orders under an IDIQ are awarded. A PWS is used to describe the desired end-state instead of a SOW and the private market is relied upon for commercial services. However, worklists and work schedules accompanied the PWS and provided detailed descriptions of exactly how to accomplish certain tasks under the IDIQ (similar to a SOW).

FSCs are awarded using the best-value evaluation method. Five non-price factors were evaluated, in addition to price. The non-price factors, when combined, are equal in weight to price. The assigned weight of each evaluation factor is supported by the FAR (2017); "in acquisitions where the requirement is clearly definable and the risk of unsuccessful contract performance in minimal, cost or price may play a dominant role in source selection" (Part 15.101). Of note, technical factor Management Plan provided the

contractor an opportunity to detail any plans for a unique and innovative solution for meeting the contract requirements.

Lastly, CORs were identified and used to track the contractor's performance. Weekly meetings were held during the first two months of the contract performance period. After two months, meetings were held monthly or as needed. I was unable to obtain or review any CPARs; however, all option years and award terms were executed. Therefore, I presume that the contractor's performance continually met the standards established in the contract and warranted the award of all options and terms.

2. What commercial and governmental best business practices can the USMC implement to improve the FSC process?

The recommendations provided in the subsections below were the result of a comparative analysis. The analysis organized current USMC FSC processes and best business practices into the three phases of the contract life cycle, in order to detect similarities and differences (Garrett, 2010; NCMA, Version 1.0, n.d.). When a difference was identified, that practice was viewed through the lens of the regulatory framework established in Chapter II. If the practice remained within the confines of the regulatory framework, then it was included as a recommendation in this section.

a. Use the IPT—Lead the IPT

As a review, a properly functioning IPT identifies and consults all stakeholders and integrates the efforts of all involved toward a unified objective. A well-rounded IPT serves to properly define requirements, resolve problems, select the best course of action, analyze proposals, and inspect completed services (GSA, 2005). Each function demands dedicated Marine Corps involvement, however, HQMC I&L has described the Marine Corps' participation in the FSC process as ad hoc. This is not indicative of a properly functioning IPT. Furthermore, project failure is commonly attributed to IPT members' being prevented from dedicating their time to the project's success; i.e., other job functions trump their IPT role (Calleam Consulting, 2017). This may explain the USMC's ad hoc participation in the FSC process and may be a limiting factor to

performance maximization. Being an effective IPT member is a full-time job or at least a high-priority part of one's job.

Properly defining the requirement is the most critical function of the IPT. In fact, The International Project Leadership Academy dedicates an entire category of reasons projects fail to requirements issues (Calleam Consulting, 2017). Improperly defining the requirement sets the stage for inefficiency, poor quality, and contract failure. Therefore, properly defining the requirement is the most critical USMC task during the FSC process. The Marine Corps owns the requirement on all Marine Corps installation FSCs and is the end user of the services being procured. Getting the requirement defined correctly as well as keeping the contract effort focused on Marine Corps priorities is vital. For these reasons, I suggest appointing a Marine as the IPT Lead on all USMC FSCs. The IPT Lead establishes the unified objective and is ultimately responsible for the performance of the IPT (Hecker, 2000). A Marine IPT Lead has the ability to manage the efforts of the acquisition team and the contractors to ensure all actions are in the best interest of the Marine Corps.

b. Create a Center of Excellence

I will argue that the fastest way to improve performance is through continual review of successes and failures. This is common knowledge and is supported by the 2003 Services Acquisition Reform Act (SARA). SARA mandated the Office of Federal Procurement Policy to establish a Center of Excellence for Service Contracting (House of Representatives, 2003). Since the inception of the Center of Excellence for Service Contracting, considerable contributions have been made to improve the acquisition of services including the DoDI 5000.74 (2016), a dedicated chapter on services acquisition in the DOD's *Defense Acquisition Guidebook* (2012), and the Contracting Officer's Community of Practice.

The Marine Corps has an opportunity to replicate the large-scale successes, mentioned above, on a smaller scale focusing exclusively on solving Marine Corps specific issues. Furthermore, a Marine Corps Contracting Center of Excellence would facilitate cross-organizational communication and promote a proactive approach to

problem resolution. Collectively the community could solve problems and improve processes while mitigating the risk of repeated mistakes.

c. Strategic Sourcing

NAVFAC conducts regional acquisition planning, which suggests that strategic sourcing efforts are conducted. However, additional contract vehicles and strategies exist that could provide a more efficient and effective means of strategically sourcing facilities support services.

One such strategy, created by the Air Force, is to first create a standard list of facilities support services common on all Air Force installations (Weckerlein, 2013). Creating a standard support services requirement encompassing all Air Force installations enabled the Air Force to write and administer fewer BOS contracts rather that numerous individual BOS contracts. This changed the Air Force's dynamic as a customer. Instead of acting like hundreds of small customers they became one large customer. The Air Force was able to reduce the supplier base, achieve efficiencies, leverage economies of scale, and increase service quality. In fact, the Air Force achieved $481.68 million in cost savings from FY11-FY16 over 11 projects (HQUSAF, 2017). The Marine Corps could use the Air Force's list of standard services as a template for generating their own standard list of facilities support services common on every Marine Corps installation. This data would facilitate the Marine Corps ability to act as one large purchaser vice dozens of small purchasers.

Another, potentially more economical, option is to use an existing government-wide strategic sourcing contract vehicle. GSA has created such a vehicle and calls it the GSA Buildings and Maintenance Operations (BMO) contract (GSA, 2017). This contract vehicle is the first ever government-wide strategic sourcing solution to be designated best-in-class by the Office of Management and Budget (Ruwwe, 2016). GSA has identified all high-demand BMO services and combined these tasks under an open market, multiple-award, indefinite delivery indefinite quantity, government-wide contract vehicle with a five-year base period of performance and a five-year option period (GSA, 2017). The BMO contract has both unrestricted and small business set aside programs

built in to ensure maximum vendor competition as well as aid individual agencies in achieving the congressionally mandated small business participation. Furthermore, products procured under this contract vehicle are required to meet all applicable environmental standards including recycled materials and products conforming to Safer Choice, Energy Star, BioPreferred, and Water Sense standards (GSA, 2017). The following services can be acquired under the GSA BMO contract:

- HVAC Maintenance
- Plumbing and Pipefitting
- Elevator Maintenance
- Electrical Maintenance
- Fire Alarm System Maintenance and Repair
- Fire Suppression (Water Based) System Preventative Maintenance and Repair
- Roofing Services
- Building Management Services
- Architectural and Framework Building Maintenance Services
- Commissioning Services
- Elevator Inspection Services
- Janitorial
- Landscaping/Grounds Maintenance
- Pest Control
- Waste Management and Recycling Services. (GSA, 2017, "Contract Scope")

GSA has designated six zones representing regions in which offerors may compete and operate. These zones encapsulate many Marine Corps installations, including Camp Lejeune, Camp Pendleton, and Marine Corps Base Quantico. These bases are supported by Zone 3, Zone 5, and Zone 1, respectively. The GSA BMO

contract went live in Zone 1 in FY16 and GSA plans to bring all other zones online during FY17 (GSA, 2017).

In order to use the GSA BMO contract, an Ordering Contracting Officer is required to complete GSA's Request Delegation of Procurement Authority Training. GSA will issue a Delegation of Procurement Authority to any warranted Federal Government Contracting Officer upon completion of the training. This gives the Contracting Officer the ability to issue task order solicitations and award the task order. Additionally, GSA provides scope reviews to Contracting Officer's writing task orders to minimize protests (GSA, 2017). A comprehensive ordering guide is available via the GSA website.

d. Use the Taxonomy to Help Forecast

Assad (2012) authorized the *Taxonomy for the Acquisition of Services* to be used within the Federal Procurement Data System (FPDS) in order to organize and track expenditures for services, supplies, and equipment. In accordance with Better Buying Power initiatives, taxonomy data retrieved from FPDS is used as a decision tool for strategic sourcing decisions and strategic workforce planning (Assad, 2012). However, the DOD is struggling to comply with legislation mandating the use of the taxonomy to support management decisions (DiNapoli, 2014). The USMC must address this shortfall in order to improve the quality, accuracy, and foresight of current services contracting forecasts. The taxonomy will enable the USMC to forecast further than one FY in the future while maintaining the integrity that single-year forecasts provide.

The Convention of Biological Diversity asks a profound cross-occupation question that supports the use of a taxonomy, "How do decision-makers decide where to establish protected areas if they do not know what is being protected?" (Convention of Biological Diversity, 2007, para. 1). The question posed above highlights a major problem during a Program Objective Memorandum cycle or any budget generation process. In budget terms the Convention of Biological Diversity may ask, "How do Marine Corps financial planners know which programs need to be protected, expanded, or reduced when the true status of such programs remains indiscernible?" Properly using

the taxonomy for the acquisition of services would not only allow the USMC to comply with legislation but would also give the Marine Corps a mature holistic capability for planning and forecasting beyond the next fiscal year. Accurate forecasting would then provide the USMC with the ability to make educated cuts and realignments and support the USMC's goal of becoming a lighter, faster, and more efficient force. Furthermore, data obtained through the proper use of the taxonomy for acquisition of services acts as a protection method to ensure the government does not become overly reliant on contractors (DINAPOLI, 2014). The USMC cannot afford to lose self-sufficiency; however, improper use of the taxonomy may lead down that road.

e. Use the Contract Management Maturity Model for Process Benchmarking and Analysis

Rendon (2015) designed the Contract Management Maturity Model to give organizations the capability of benchmarking the maturity of their contract management processes. Benchmarking facilitates the ability to analyze and assess processes in order to develop performance improvement programs (Rendon, 2015). Rendon (2015) used this model to create an assessment on U.S. Navy contracting processes, of which Marine Corps FSC are included. He found that processes in the pre-award phase were structured and functioning, but lacked integration and optimization throughout the organization. Furthermore, Rendon noted a decrease in maturity from the pre-award phase to the post-award phase. In the award and post-award phases, contract management processes were less capable in some instances. The Contract Management Maturity Model should be used to benchmark USMC FSC contract processes. Doing so would allow for the creation of tailored solutions. These custom solutions would provide the most efficient means for improvement.

3. What strategies and practices can the USMC implement to encourage innovation in FSCs?

The recommendations provided in the subsections below were the result of a comparative analysis. The analysis organized current USMC FSC processes and strategies to encourage innovation into the three phases of the contract life cycle, in order to detect similarities and differences (Garrett, 2010; NCMA, Version 1.0, n.d.). When a

difference was identified, that strategy was viewed through the lens of the regulatory framework established in Chapter II. If the strategy to encourage innovation remained within the confines of the regulatory framework, then it was included as a recommendation in this section.

f. Leave Room for the Contractor to be Innovative

Encouraging the contractor to be innovative is only possible if the latitude to be innovative is provided. The tighter the contract restrictions are, the less room the contractor has to be innovative. This is part of the reason that the performance based acquisition method requires the use of a PWS vice a SOW (FAR, 2015). Currently the suboptimal approach discussed in Chapter II is used. The PWS is generated by the government and released as part of the solicitation. Again, to optimize this process a SOO should be released as part of the solicitation and allow the contractor develop the PWS as part of their proposal. The troubling issue, however, is the government generated PWS is accompanied by work schedules and worklists containing detailed instructions for how the contractor is required to complete certain tasks. In one instance a seven-step work list is provided detailing the task of jogging trail debris removal. One of the jogging trail debris removal steps instructs the contractor to remove debris at least three feet away from the edge of the asphalt to prevent debris buildup. On the surface, this may seem like a good idea, however a service task with this level of specificity creates a box in which the contractor will conform and charge for. This affects the proposal prices and does not allow the contractor to determine the most efficient way to prevent debris buildup. Furthermore, I found no study validating the use of the three-foot debris perimeter or its effectiveness. Therefore, one may even hypothesize that an unnecessary or arbitrary service is being procured (i.e., labor hours to ensure the three-foot perimeter). The legitimacy that removing such a seemingly insignificant task would result in any real savings may be criticized, however, even achieving a 0.1% efficiency would save $450,000 annually, based on the total USMC FSC annual spend (Office of the Secretary of the Navy, 2015). Pursuing smaller savings, known as incremental changes, is also supported by the commercial market (Coyne K., Coyne S., & Coyne Sr., E.J., 2010). When incremental changes are combined, the cost reductions of most departments equate

to 10% (Coyne et al., 2010). Secondly, there is rarely a single idea that would achieve cost-cutting goals (Coyne et al., 2010). It is the seemingly insignificant changes that add up to large savings.

As detailed by Brown (2014), another method that provides the contractor with room to be innovative is the use of pre-solicitation problem statements. This method entails the release of a generalized problem description for a potential contract effort. Interested vendors respond to the problem statement with solutions to the stated problem. The solutions, received from the vendors, can then be used to help define, refine, and specialize the government's requirement (Brown, 2014). Using a problem statement is a low-cost way to learn about new technology and processes without requiring the government to make any commitments. Furthermore, it allows the contractor to get an idea of potential contract efforts and dedicate time toward creating efficient and innovative solutions. Simply using a problem statement also sends the message to industry that the government values innovative solutions. Such a message may encourage vendors that typically shy away from government contracts to submit an idea or even a proposal which ultimately leads to better competition. As mentioned in Chapter II, a SOO as part of the solicitation can be written in more generalized terms, which allow it to mimic a problem statement.

USMC FSCs contain a technical factor named, Management Plan. The management plan has a section in which offerors may submit any unique or innovative solution they would implement, if awarded the contract. Although this is similar to releasing a problem statement, the result is suboptimal. Submitting a FSC bid already requires offerors to generate proposals, under a time constraint, that are hundreds of pages long and creating a unique innovative solution adds to the complexity of their proposal generation. This makes the process for submitting an innovative solution too complex (TYEC, 2015). Offerors will invest more time and energy into creating defendable and competitive proposals. Herein lies the strength of the pre-solicitation problem statement. Respondents' focus is on innovation, not proposal generation, which will increase the quantity and quality of the innovative solutions proposed.

g. Use Private-Sector Advisors to Get Smart

Ill-defined requirements are often blamed for contract failure and become the star of many case studies. One such example was the FBI's project Trilogy in which an ill-defined requirement resulted in an unproductive $170 million disaster (Nelson, 2007). Communication with, or even hiring, a private sector expert prior to releasing a solicitation helps mitigate the risk of an ill-defined requirement because the private sector expert will have a better understanding of the current technology and best practices (Brown, 2014). Consider even hiring a private sector advisor to aid in the requirement generation process. Doing so is common government acquisition practice, especially in technologically intensive projects. However, it would seem that contract managers may underestimate the value of researching advancements in technology or practices for commercial services with low technology and education requirements. Underestimating the private market's drive and ability to streamline and innovate seemingly mundane tasks will nearly ensure the selection of a suboptimal solution. Expert consultants have immense experience and are privy to technology and practices the common contract manager is not. The cost of the consultant's time may be recouped many times over if they help the requirement generators ask for the right service rather than award a contract for an ill-defined requirement. The end result is a less expensive contract, happier contractor, and happier customers. Therefore, a concerted effort to obtain the private sector knowledge is critical for successful FSC efforts.

Obtaining private sector knowledge must be accomplished while conducting market research. A simple phone call to a large organization's contracting department can yield free information on how that company contracts for their services (Brown, 2014). Contract managers typically have no quarrels with releasing non-proprietary information to a non-competitor. This may result in the discovery of pitfalls to avoid or even yield potential solutions the IPT did not identify.

h. Incentives, Incentives, Incentives

The USMC is using a type of incentive known as the Award Term. This type of incentive is designed to reward a contractor, meeting the performance requirements set

forth in the Award Term Plan, with non-competitive contract awards beyond the option years (Rogin, 2002). I did not have access to any USMC FSC award term plans, therefore, assessing whether the plan encouraged innovation or not was impossible. However, no incentive structure encouraging innovation was outlined in any of the FSC documents reviewed. This is unsurprising, as mentioned in Chapter II, because a 2008–2009 survey consisting of 300 collective responses from the Army, Navy, and Air Force found that just over 93 percent of service acquisitions did not incorporate incentives (Rendon et al. 2012). Incentives encouraging innovation must be created in order to promote innovative solutions. When designing incentives, it is prudent to recall the *Guidebook for the Acquisition of Services* questionnaire guide, listed in Chapter II, to aid in properly structuring incentives (DOD, 2012). Properly structured incentives reward both the government (in terms of increased quality or reduced lead-time) and the contractor (in terms of additional money or contracts) while poorly structured incentives may result in monetary gain for the contractor but no added value to the government (DOD, 2012).

Kessenger (2015) notes, not all incentives are directly tied to a cash payout. Some of the most innovative companies incentivize innovation by simply providing employees with the time to be creative and think of solutions (Kessenger, 2015). This same tactic can be used in government contracting by establishing innovation time as part of the service being provided. Innovation time will not always result in viable solutions; however, employees are typically bursting with ideas on how they could improve their jobs. The problem though, is they are rarely given the time or authority to change the process.

Another no cost incentive-based strategy to encourage innovation is assessing past and current innovative performance as well as proposed future innovative solutions (Dulkeith & Schepurek, 2013). USMC FSCs contain a technical factor named, Management Plan. The management plan has a section in which offerors may submit any unique or innovative plans they would implement, if awarded the contract. Evaluating innovative solutions, however, is merely a fraction of the management plan. If one considers price plus non-price factors to equal 100 percent, then the management plan, as

a whole, is only worth 10 percent of the total weight (based on current USMC FSC evaluation weights). This means that the innovative solution section is only worth a fraction of the 10 percent assigned to the management plan evaluation factor. Submitting a FSC bid already requires contractors to generate proposals, under a time constraint, that are hundreds of pages long. Creating a unique innovative solution improves the chance of a contract award only a fraction of the 10 percent assigned to the Management Plan evaluation factor; therefore, contractors have little incentive to invest a lot of time into generating an innovative solution. Contractors will invest more time and energy into creating defendable and competitive proposals because the process for submitting their innovative solution is too complex (TYEC, 2015).

Past innovative performance and planned future innovative ideas should be a standalone proposal evaluation factor and weighted heavier than they are on current FSCs. Furthermore, if the goal is to encourage and improve innovative solution generation then the contractor's performance in these areas should be part of the COR's evaluation (Dulkeith & Schepurek, 2013). Peter Drucker is credited with saying, "What gets measured gets managed" (Prusak, 2010, para. 6). This clearly and simply describes how contractors will dedicate their time to what matters most, in effect, the most heavily weighted, monitored, and scrutinized areas. A popular method for measuring performance is utilizing the balanced scorecard (Balanced Scorecard Institute [BSI], 2017). The BSI (2017) describes the balanced scorecard approach as being a structured planning and management system. The management system includes the creation and continual measurement of key performance indicators to track progress toward stated goals, measure accomplishments, focus employees' efforts, and reduce uncertainties (BSI, 2017). However, according to Dulkeith and Schepurek (2013), the balanced scorecard is an incomplete framework for measuring innovative performance. Dulkeith and Schepurek recommend measuring and assessing innovative strategy, inputs, culture and structure, idea and knowledge management, innovation process, outputs, and outcomes. This provides a more holistic view on the progress of innovation and should be the model used in developing innovating performance evaluation criteria on the QASP.

i. Culture of Innovation

The government is widely recognized as a no-nonsense and risk-averse organization with little appetite for failure. This is also apparent in government contracting. Contractors are penalized, either by a monetary fine or through termination of the contract, if they fail to meet the contract performance requirements. Additionally, government contract managers are punished for contracting failures via poor performance evaluations and a reduced ability to promote. TYEC (2015) recommends not punishing employees [and contractors] for failure. This stifles innovation and is not a new concept in the commercial marketplace. "Failure is a prerequisite to success" (Farson & Keyes, 2002, para. 1). This is not to say that all failure should be accepted, but rather focus penalties on inaction vice failure (Barba, 2015). The USMC must adopt these concepts to maximize the potential for innovative solutions.

The government operates in a slightly different business environment than the commercial marketplace because government innovation is bound by four unique objectives of successful contracting, as explained in Chapter II (Brown, 2014). These objectives can be met through proper risk mitigation. Farson and Keyes (2002) identify strategies to reduce innovative risk, such as creating abandonment points for new processes that are failing or a simultaneous launch of similar solutions to a common problem. The USMC can adopt modified commercial risk mitigation strategies; for example, using members of the IPT as the sounding board and approval authority for the implementation of innovative ideas. Cost of failure can be determined and mutual agreement between the contractor and the government can be obtained before implementing any new process or technology, similar to the way Value Engineering Change Proposals are used on some government contracts (FAR, 2017). Once an innovative solution is approved, the contractor should not suffer monetary loss or be hindered from obtaining future contracts if the solution ends in failure, unless failure stems from a lack of contractor effort (Barba, 2015).

Another way to create an innovative culture and promote widespread participation is to mirror the Department of Health and Human Services and make innovation a competition among contractors, service members, and government employees (Rathi,

2014). To make the competition effective participants must be recognized and rewarded for their efforts (TYEC, 2015). This can be facilitated by creating an award, signed by the highest-ranking member possible, for the successful implementation of an innovative idea. The higher the rank of the individual that signs the award, the more coveted that award will be and the more weight that award will carry toward promotion, retention, and morale. This no-cost solution will aid in generating a dedicated effort toward finding innovative solutions to FSC processes. As stated in Chapter II, I believe the use of awards is the easiest, most effective, and least costly method of obtaining results.

B. SUMMARY

This chapter presented the findings from the comparative analysis and provided recommended courses of actions, in accordance with the project's research questions. Current USMC FSC practices were outlined, four recommendations were provided to improve current FSC processes, and four recommendations to encourage innovation in FSCs were presented. Arguments supporting each recommendation were also discussed as well as documented research supporting their validity.

The next chapter will provide a brief description of the research and provide a conclusion. Additionally, considerations that should be understood and discussed prior to encouraging innovation are detailed. Lastly, areas requiring further research to advance the USMC FSC process are presented.

V. SUMMARY, CONCLUSIONS, AND AREAS FOR FURTHER RESEARCH

The overarching goal of this research was to provide relevant recommendations to improve the USMC FSC process and encourage innovation. All recommendations remained within the confines of government procurement laws and regulations. Additionally, process improvements that would require a significant monetary investment or increase in personnel were omitted. Chapter I provided the background behind the creation of this project. Chapter II provided the literature review and served as the base of knowledge for conducting a comparative analysis. Chapter III detailed the methodology used to answer the research questions. Chapter IV provided answers to the research questions and defended the recommendations contained within this project. This chapter will identify the research questions and provide a brief summary of each answer. Additionally, the conclusion of this project and opportunities for research are provided.

A. SUMMARY

The research endeavored to identify and detail the regulatory framework governing all USMC service acquisitions, present common commercial and governmental service contracting best business practices, ascertain commercial and governmental strategies to encourage innovation, detail current USMC FSC processes, and provide recommendations to improve the USMC FSC process. In order to accomplish the tasks stated above, a literature review consisting of commercial and governmental regulations, laws, publications, articles, reports and journals was completed. Full USMC FSC contract files were unavailable during this project; therefore, only publicly available FSC contract documents were reviewed. The unavailability of FSC contract documents limited the scope of this research and contributed to the opportunities for further research.

A summary of the research questions and research findings is provided below.

1. What are the current practices and processes used for USMC facilities support contracting?

Reviewing FSC documents obtained from the government wide point of entry enabled a detailed understanding of pre-award phase processes. Moreover, the publicly available FSC documents offered insight into award and post-award phase processes and enabled the comparative analysis. Although this project never attempted to investigate whether the USMC was following all acquisition laws, no violations were discovered and it is evident that performance-based contracting methods are utilized.

Many of the best business practices discovered during the literature review, such as conducting market research and awarding FFP contracts, are actively used. However, the comparative analysis resulted in the recommending implementation of four documented best business practices on USMC FSCs. These are discussed further in the second research question summary.

Practices encouraging innovation were discovered; however, they are minimal and deal exclusively with source selection. The USMC is evaluating an offeror's proposed innovative solution as part of the Management Plan evaluation criteria. However, I feel providing an innovative solution as part of a proposal is weighted too lightly to effectively encourage contractors to devote time toward. The comparative analysis resulted in the recommendation to implement four documented strategies to encourage innovation on USMC FSCs. More information regarding these practices is provided in the third research question summary.

2. What commercial and governmental best business practices can the USMC implement to improve the FSC process?

Lead the IPT. The Marine Corps is not fully and actively participating in the IPT. Without a dedicated effort from the USMC, the IPT cannot function at the optimal level. As the primary stakeholder, the USMC must take an active role during all phases of the contract life cycle. Doing so will ensure the requirement is accurate and sufficiently meets the needs of the installation as well as promotes effective contractor management. Due to the annual expenditures tied to FSCs I recommend the IPT Lead to be a senior ranking Marine. This step will ensure full member participation and give control of the FSC process to Marines.

Create a USMC FSC Center of Excellence. The creation and use of a Center of Excellence is a common practice for numerous professional fields, including contract management. In fact, the Services Acquisition Reform Act (2003) mandated the formation of a Center of Excellence for Service Contracting. A FSC Center of Excellence would provide a central location for the formation and distribution of common best practices and effectively unify multiple efforts under one front.

Use strategic sourcing to reduce services acquisition costs. The Air Force has already reported $481.68 million in base operations support cost savings from FY11-FY16 via a strategic sourcing program (HQUSAF, 2017). The Marine Corps may not be able to expeditiously establish a major command to manage fleet-wide strategic sourcing, as the Air Force has done, however, an existing contract vehicle could be leveraged. The GSA (2017) has created a government-wide contract vehicle that supports base maintenance operations. The IDIQ multiple award contract covers 15 categories of services across six nationwide zones. Any federally warranted Contracting Officer can easily receive authorization to write task-orders against the GSA contract (GSA, 2017). This significantly reduces the contract effort by eliminating the time and personnel required to define requirements, conduct market research, generate solicitations, evaluate offers, conduct negotiations, and award a contract because GSA has already done the work. In addition to a reduction in manpower requirements, the Marine Corps could enjoy the same leverage the Air Force gained when they launched their strategic sourcing program, however, the Marine Corps would not have to make any upfront investment.

Forecast beyond the next fiscal year. The importance of forecasting has been common knowledge in the civilian marketplace for decades, yet all military branches track requirements only for the current year plus one future year (MIHM, 2017). Proper uses of the taxonomy, as outlined in *Taxonomy for the Acquisition of Services,* can fill the data gaps preventing accurate future forecasts. The DOD is still struggling with the inventory of contracted services (DINAPOLI, 2014), but the USMC should correct this deficiency and improve their ability to assess the past and plan for the future.

3. What strategies and practices can the USMC implement to encourage innovation in FSCs?

Provide contractors and government personnel with the latitude they need to be innovative. This can be partly accomplished by ensuring the government issues an RFP with a SOO and allows the offeror to respond with a PWS in their proposal rather than releasing a SOW in the solicitation that describes how to specifically complete the work (FAR, 2017). Current USMC FSC contain work schedules and worklists, some very detailed, that restrict a contractor's ability to be innovative. This practice must be minimized as much as possible in order to encourage innovation.

Another way that innovative thought can be obtained is by simply asking for it. According to Brown (2014), one method to ask for innovative solutions is by releasing a pre-solicitation problem statement. This is similar to a SOO, as described by NAVAIR (2013), but is even more generalized and brief. A problem statement does nothing more than notify potential offerors of a problem that may result in the award of a contract (Brown, 2014). Offerors, without restraint, can easily propose any solution they can come up with. The buyer then uses this information to generate requirements (Brown, 2014). This can often result in obtaining efficient solutions than were previously unknown to the buyer. The USMC can easily modify a SOO to act like a problem statement and reap the rewards of its use.

Use private sector advisors to obtain the most current practices and technology (FAR, 2016). Expert consultants are better equipped to recommend the most efficient solution or product and even identify potential offerors that may not have otherwise been considered (Brown, 2014). Furthermore, one must not always be forced to pay for a consultant. Brown (2014) says that obtaining free expert advice can be as easy as calling a contracting department from a large organization and asking how they contract for services. A cost-benefit analysis may prove that hiring an expert consultant will result in a negative return on investment; however, the USMC should at least ensure that other agencies and businesses contracting for similar services are communicated with.

Create an incentive structure to promote innovation. Rendon, Apte, and Apte (2012) revealed that assigning incentives to service contracts or service task orders is not common, even though the use of incentives is promoted in FAR part 37 (FAR, 2015).

Contractors respond to financial incentives, therefore, offering an incentive to implement successful innovative solutions is a sure-fire way to focus a contractor's energy on innovation. However, there are other means of incentivizing a contractor without providing an immediate cash incentive (Kessenger, 2015). These strategies include building in work hours to do nothing but generate innovative solutions, use past innovative performance as a heavily weighted evaluation factor for source selection, and evaluate a contractor's innovation via CORs (Kessenger, 2015; DOD, 2012; Dulkeith & Schepurek, 2013).

Create a culture of innovation. This can be accomplished by promoting participation in innovative solution generation, not punishing contractors or government employees for failure, and mitigating the risk of innovation (TYEC, 2015; Rathi, 2014; Farson & Keyes, 2002). The USMC should only levy punishments when a contractor or government employee fails to act rather than acting, in good faith, to improve a process (Barba, 2015). Secondly, the Marine Corps should establish innovation awards to publicly praise those that participate in and improve the FSC process (TYEC, 2015). Lastly, the USMC can mitigate the risk of innovation by using the IPT as the approval authority for implementing innovative solutions, establishing abandonment points to halt a failing idea, and launching multiple concurrent solutions at the same problem to hedge against total failure (Farson & Keyes, 2002). A culture of innovation becomes a breeding ground for innovative thought and ensures maximum participation.

B. CONCLUSION

Applicable laws and regulations are followed during the USMC FSC process. Many of the best business practices identified during the literature review are currently in use as well, although improvements can be made to optimize the process. Specifically, fully participating in the IPT, using the taxonomy for the acquisition of services to track historical usage and generate future forecasts, implement a strategic sourcing program via the GSA BMO contract vehicle, and establish a FSC Center of Excellence.

The research led to the conclusion that innovation is not actively or wholeheartedly encouraged on USMC FSCs. This research did not attempt to determine

the value of encouraging innovation, but rather offered documented strategies that could be implemented, inexpensively, on USMC FSCs. The recommended innovation encouraging strategies include affording contractors and government employees the time to produce innovative solutions and accepting failure, using monetary and non-monetary incentives, communicating with or even hiring private sector experts, and creating a culture in which innovative ideas are expected, celebrated, and even rewarded.

This research was limited by the availability of USMC FSC documents. Contract files were not provided via electronic means and a compacted time schedule prevented sufficient travel time to physically retrieve them. As such, a holistic review of current practices was not possible, which hindered the depth of the comparative analysis. The result is the possibility that a recommendation is already standard practice. Concurrently, the immense amount academic literature encompassing service contracting best business practices and innovation prevented an absolute review of every possible practice. Therefore, this project is not meant to serve as the final authority on USMC FSC improvements, but should be viewed as a starting point. Contracting is a dynamic activity with strategic level importance. As such, new challenges and standard practices enter academia and industry daily while other archaic or dated practices fade; continual review of the process is critical to ensuring best practices and strategies are employed.

C. FURTHER RESEARCH

Continued research on best business practices and innovation encouraging strategies should be endeavored. If multiple projects covering the same topic as this paper were conducted, they would yield new results. Additionally, I have identified several areas requiring focused research below:

1. Detailed Review of Award Phase and Post-award Phase Marine Corps FSC Files

A comprehensive review of standard practices in the award and post-award phases of the contract life cycle and subsequent comparative analysis may result in several process improvement recommendations this research could not identify. Specifically, a review of the Award Term Plan, Source Selection Plan, Performance

Measurement Plan, Performance Incentive Plan, and Quality Assurance Surveillance Plan. A comprehensive review would also shed light on areas where innovative thought may be valuable or viable.

2. The Make or Buy Decision

The Marine Corps is currently using government employees to execute facilities support while other USMC installations use contractors. Additionally, HQMC I&L has reported price variations between installations. The Project On Government Oversight found 94 percent of occupations studied would save money if government workers were hired instead of contractors (Pierce, 2011). An analysis of the make or buy decision may provide indicators detailing why price variations exist as well as aid the Marine Corps in determining the overall best value option between government employees or contractors.

3. The Value of Innovation

As mentioned above, this research did not seek to determine if the Marine Corps should encourage innovation and if so, then to what degree. However, these are crucial questions. There may not be enough value to offset the risk of implementing innovative solutions across the board in FSCs, but there may be specific aspects of the FSC process or task orders that could greatly benefit.

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APPENDIX A. QASP TEMPLATE

The QASP template below is provided as a guide for creating an acceptable contractor observation plan. This template was created by the Under Secretary of Defense for Acquisition, Technology, and Logistics and posted by the Defense Acquisition University (2011). (The yellow highlighted material is part of the original document.)

QUALITY ASSURANCE SURVEILLANCE PLAN
Version – June 2010

For <enter contract title>
Contract Number: < upon award, enter contract number>
Contract Description: < enter contract description >
Contractor's name: < upon award, enter contractor name > (hereafter referred to as the contractor).

1. PURPOSE.

This Quality Assurance Surveillance Plan (QASP) provides a systematic method to evaluate performance for the stated contract. This QASP explains the following:

- What will be monitored.
- How monitoring will take place.
- Who will conduct the monitoring.
- How monitoring efforts and results will be documented.

This QASP does not detail how the contractor accomplishes the work. Rather, the QASP is created with the premise that the contractor is responsible for management and quality control actions to meet the terms of the contract. It is the Government's responsibility to be objective, fair, and consistent in evaluating performance. In addition, the QASP should recognize that unforeseen and uncontrollable situations may occur.

<As the TMA makes greater use of performance-based service contracting, the contractor is given more freedom to become innovative in their ways to effectively and efficiently meet the Governments' performance objectives. Therefore, it is imperative that there be ongoing coordination between the Government and

This QASP is a "living document" and the Government may review and revise it on a regular basis. However, the Government shall coordinate changes with the contractor. Updates shall ensure that the QASP remains a valid, useful, and enforceable document.

Copies of the original QASP and revisions shall be provided to the contractor and Government officials implementing surveillance activities.

The following FAR clauses may apply depending on contract type:

< Remove highlighting from applicable clause(s) below. Delete non-applicable clauses. >.
52.246-4 Inspection of Services – Fixed-Price,
52.246-5 Inspection of Services – Cost-Reimbursement, or
52.246-6 Inspection of Services – Time-and-Material and Labor-Hour

2. GOVERNMENT ROLES AND RESPONSIBILITIES.

The following personnel shall oversee and coordinate surveillance activities.

a. Contracting Officer (KO) - The KO shall ensure performance of all necessary actions for effective contracting, ensure compliance with the contract terms, and shall safeguard the interests of the United States in the contractual relationship. The KO shall also assure that the contractor receives impartial, fair, and equitable treatment under this contract. The KO is ultimately responsible for the final determination of the adequacy of the contractor's performance.

Assigned KO: <enter name>
Organization or Agency: <enter organization or Agency name>
Telephone: <enter number>
Email: <enter address>

b. Contract Specialist (KS) - The KS acts as an acquisition consultant and serves as liaison between the TMA Contract Operations Division – Falls Church (COD-FC) and the requesting program office, as well as liaison between the TRICARE Management Activity (TMA) and the supporting contracting office.

Assigned KS: <enter name>
Telephone: <enter number>
Email: <enter address>

c. Contracting Officer's Representative (COR) - The COR is responsible for technical administration of the contract and shall assure proper Government surveillance of the contractor's performance. The COR shall keep a quality assurance file. At the conclusion of the contract or when requested by the KO, the COR shall provide documentation to the KO. The COR is not empowered to make any contractual commitments or to authorize any contractual changes on the Government's behalf. The contractor shall refer any changes they deem may affect contract price, terms, or conditions to the KO for action.

Assigned COR: <enter name>

Telephone: <enter number>
Email: <enter address>

d. Other Key Government Personnel - <enter name or delete these lines if not applicable. This may include Performance Monitors, Inspectors, etc., who act on behalf of the COR to monitor performance.>
Title: <enter title>
Telephone: <enter number>
Email: <enter address>

3. CONTRACTOR REPRESENTATIVES:

The following employees of the contractor serve as the contractor's Program Manager and Task Manager for this contract. <Communication should occur with them during QASP development. It will help if they review the draft QASP and accept the final version.>

a. Program Manager - <upon award, enter name>
Telephone: <enter number>
Email: <enter address>

b. Task Manager - <upon award, enter name>
Telephone: <enter number>
Email: <enter address>

c. Other Contractor Personnel - <upon award, enter name or delete these lines if not applicable>
Title: <enter title>
Telephone: <enter number>
Email: <enter address>

4. PERFORMANCE STANDARDS.

<Performance-based contracts include either a Performance Work Statement (PWS) created by the Government, or if a statement of objectives (SOO) is used, a government or contractor developed PWS. The QASP shall cite the same performance objectives and thresholds as stated in the Performance Requirements section of the PWS. If the requirement includes a statement of objectives (SOO), the QASP will be developed after contract award.>

Performance standards define desired services. The Government performs surveillance to determine if the contractor exceeds, meets or does not meet these standards.

The Performance Requirements Summary Matrix, paragraph <enter number> in the Performance Work Statement includes performance standards. The Government shall use these standards to determine contractor performance and shall compare contractor performance to the Acceptable Quality Level (AQL).

<Insert matrix from the Performance Requirements section in the Performance Work Statement for this effort.>

5. INCENTIVES.

The Government shall use <insert award fee, incentive fee, past performance, or other method> as incentives. Incentives shall be based on exceeding, meeting, or not meeting performance standards. Information about incentives can be found in <insert section or paragraph> of the contract.

6. METHODS OF QA SURVEILLANCE.

< After contract award, the contracting Officer's Representative (COR) will need to review the Performance Standards Summary Matrix in the contract to determine if the selected monitoring methods are appropriate to monitor each performance standard. Within a QASP, multiple surveillance methods may be used. The method for any given task will depend on the performance standard and Acceptable Quality

Various methods exist to monitor performance. The COR shall use the surveillance methods listed below in the administration of this QASP.

Regardless of the surveillance method, the COR shall always contact the contractor's task manager or on-site representative when a defect is identified and inform the manager of the specifics of the problem. The COR, with assistance from the COD KS, shall be responsible for monitoring the contractor's performance in meeting a specific performance standard/AQL.

< Place the performance standard(s) after the description of the method. Delete any methods that are not required.>

a. DIRECT OBSERVATION. (Can be performed periodically or through 100% surveillance.)
<Insert performance standard(s) or delete this method.>

b. MANAGEMENT INFORMATION SYSTEMS (MIS). (Evaluates outputs through the use of management information reports. Best used for general surveillance and may need to be supplemented by periodic inspections.)
<Insert performance standard(s) or delete this method.>

c. PERIODIC INSPECTION. (Uses a comprehensive evaluation of selected outputs. Inspections may be scheduled [Daily, Weekly, Monthly, Quarterly, or annually] or unscheduled, as required.)
<Insert performance standard(s) or delete this method.>

d. USER SURVEY. (Combines elements of validated user complaints and random sampling. Random survey is conducted to solicit user satisfaction. Appropriate for high quantity activities that have historically been satisfactory. May also generate periodic and 100% inspections.)
<Insert performance standard(s) or delete this method.>

e. VALIDATED USER/CUSTOMER COMPLAINTS. (Relies on the user of the service to identify deficiencies. Complaints are then investigated and validated. Highly applicable to services provided in quantity and where quality is highly subjective.)
<Insert performance standard(s) or delete this method.>

f. 100% INSPECTION. (Evaluates all outputs. Most applicable to small quantity, but highly important services. May be used where there are written deliverables and stringent requirements such as tasks required by law, safety, or security.)
<Insert performance standard(s) or delete this method.>

g. PERIODIC SAMPLING. (Variation of random sampling. However, sample is only taken when a deficiency is suspected. Good follow-up to MIS analysis. Sample results are applicable only for the specific work inspected. Since sample is not entirely random, it cannot be applied to total activity performance.)
<Insert performance standard(s) or delete this method.>

h. RANDOM SAMPLING. (Designed to evaluate the outputs of the award requirement by randomly selecting and inspecting a statistically significant sample. Highly recommended for large quantity repetitive activities with objective and measurable quality attributes.)
<Insert performance standard(s) or delete this method.>

i. Progress or status meetings.
<Insert performance standard(s) or delete this method.>

j. Analysis of contractor's progress reports. (Evaluate cost, schedule, etc.)
<Insert performance standard(s) or delete this method.>

k. Performance reporting. (Evaluate metrics for a specific time period. Develop metrics or use metrics found in MIS.)
<Insert performance standard(s) or delete this method.>

Surveillance results may be used as the basis for actions (to include payment deductions) against the contractor. In such cases, the Inspection of Services clause in the Contract becomes the basis for the KO's actions.

8. RATINGS.

Metrics and methods are designed to determine if performance exceeds, meets, or does not meet a given standard and acceptable quality level. A rating scale shall be used to determine a positive, neutral, or negative outcome. The following ratings shall be used:

<State the method(s) that shall be used and delete other methods. Relate the method you select to one or more performance standards. The rating method may depend on the monitoring techniques you select. One rating method may be used for all standards or multiple methods may be used. Examples are shown below. However, other rating scales are acceptable and may be used. >

Example 1:

EXCEPTIONAL:	Performance significantly exceeds contract requirements to the Government's benefit.
SATISFACTORY:	Performance meets contractual requirements.
UNSATISFACTORY:	Performance does not meet contractual requirements.

Example 2:
<A numerical scale with numbers 1 through 10 where 1 is poor and 10 is excellent.>

9. DOCUMENTING PERFORMANCE.

<Documentation must be accurate and thorough. Completeness, currency, and accuracy support both satisfactory and unsatisfactory performance.>

a. ACCEPTABLE PERFORMANCE.

The Government shall document positive performance. A report template is attached. Any report may become a part of the supporting documentation for fixed fee payments, award fee payments, or other actions.

b. UNACCEPTABLE PERFORMANCE.

When unacceptable performance occurs, the COR shall inform the contractor. This will normally be in writing unless circumstances necessitate verbal communication. In any case the COR shall document the discussion and place it in the COR file.

When the COR determines formal written communication is required, the COR shall prepare a Contract Discrepancy Report (CDR), and present it to the contractor's task manager or on-site representative. A CDR template is attached to this QASP.

The contractor shall acknowledge receipt of the CDR in writing. The CDR will specify if the contractor is required to prepare a corrective action plan to document how the contractor shall correct the unacceptable performance and avoid a recurrence. The CDR will also state how long after receipt the contractor has to present this corrective action plan to the COR. The Government shall review the contractor's corrective action plan to determine acceptability.

Any CDRs may become a part of the supporting documentation for contract payment deductions, fixed fee deductions, award fee nonpayment, or other actions deemed necessary by the KO.

10. FREQUENCY OF MEASUREMENT.

a. Frequency of Measurement.

During contract/order performance, the COR shall take periodic measurements, <enter how often> as specified in the AQL column of the Performance Standards Summary Matrix, and shall analyze whether the negotiated frequency of measurement is appropriate for the work being performed.

<It may help if the Government prepares a work sheet with a schedule. This work sheet shall be for Government use and shall not be shared with the contractor.>

b. Frequency of Performance Assessment Meetings.

The COR shall meet with the contractor <enter how often> to assess performance and shall provide a written assessment.

<The incentive plan may determine the frequency of performance assessment meetings. COR must review the contract to determine if it includes incentives. If only past performance information is required, state when you will provide interim assessments (if required) or a final assessment. For an award fee plan, state the frequency you will provide input on the contractor's performance to the award-fee evaluation board and the KO. For an incentive fee plan, state the frequency you will provide cost information. For other fee plans, state the frequency and type of

Prepared by: <Enter name>

_____
Signature – Contracting Officer's Representative

PERFORMANCE REPORT

1. CONTRACT NUMBER: <insert number>

2. Prepared by**:** (Name of COR) <insert name>

3. Date and time of observation**:**

4. **Observation:**

<Examples of items to include in a report are:
- Method of surveillance.
- How frequently you conducted surveillance.
- Surveillance results.
- Number of observations.>

Prepared by: <Enter COR's name>

_____ _____

Signature – Contracting Officer's Representative Date

CONTRACT DISCREPANCY REPORT (CDR)

1. Contract Number: <insert number>

2. TO: (Contractor Task Manager or on-site representative) <insert name>

3. FROM: (Name of COR) <insert name>

4. Date and time observed **discrepancy:**

5. **DISCREPANCY OR PROBLEM:**

<Describe in detail. Identify any attachments.>

5. Corrective action plan:

A written corrective action plan < is / is not > required.

< If a written corrective action plan is required include the following. > The written Corrective Action Plan will be provided to the undersigned not later than < # days after receipt of this
CDR. >

Prepared by: <Enter COR's name>

_____ _____
Signature – Contracting Officer's Representative Date

Received by:

_____ _____
Signature - Contractor Task Manager or on-site representative Date

< The COR may initiate a CDR at any time, including whenever the number of monthly recorded defects for a performance standard exceeds the allowable number of defects; anytime unacceptable performance is determined critical in nature and requires formal corrective action; and whenever an unfavorable trend is detected in contractor performance.>

APPENDIX B. FAR CLAUSE 52.246-4 INSPECTION OF SERVICES - FIXED PRICE

The full text of FAR Clause 52.246-4 is provided below for the reader's understanding. This clause is required by the FAR (1996) on all fixed-price services contracts.

As prescribed in FAR 46.304, insert the following clause:

Inspection of Services -- Fixed-Price (Aug. 1996)

(a) *Definition:* "Services," as used in this clause, includes services performed, workmanship, and material furnished or utilized in the performance of services.

(b) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the services under this contract. Complete records of all inspection work performed by the Contractor shall be maintained and made available to the Government during contract performance and for as long afterwards as the contract requires.

(c) The Government has the right to inspect and test all services called for by the contract, to the extent practicable at all times and places during the term of the contract. The Government shall perform inspections and tests in a manner that will not unduly delay the work.

(d) If the Government performs inspections or tests on the premises of the Contractor or a subcontractor, the Contractor shall furnish, and shall require subcontractors to furnish, at no increase in contract price, all reasonable facilities and assistance for the safe and convenient performance of these duties.

(e) If any of the services do not conform with contract requirements, the Government may require the Contractor to perform the services again in conformity with contract requirements, at no increase in contract amount. When the defects in services cannot be corrected by reperformance, the Government may --

(1) Require the Contractor to take necessary action to ensure that future performance conforms to contract requirements; and (2) Reduce the contract price to reflect the reduced value of the services performed.

(f) If the Contractor fails to promptly perform the services again or to take the necessary action to ensure future performance in conformity with contract requirements, the Government may --

(1) By contract or otherwise, perform the services and charge to the Contractor any cost incurred by the Government that is directly related to the performance of such service; or (2) Terminate the contract for default.

(End of Clause)

APPENDIX C FAR CLAUSE 52.246-5 INSPECTION OF SERVICES - COST REIMBURSEMENT

The full text of FAR Clause 52.246-5 is provided below for the reader's understanding. This clause is required by the FAR (1984) on all cost-reimbursable services contracts.

As prescribed in FAR 46.305, insert the following clause in solicitations and contracts for services, or supplies that involve the furnishing of services, when a cost-reimbursement contract is contemplated:

Inspection of Services -- Cost-Reimbursement (Apr 1984)

(a) *Definition.* "Services," as used in this clause, includes services performed, workmanship, and material furnished or used in performing services.

(b) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the services under this contract. Complete records of all inspection work performed by the Contractor shall be maintained and made available to the Government during contract performance and for as long afterwards as the contract requires.

(c) The Government has the right to inspect and test all services called for by the contract, to the extent practicable at all places and times during the term of the contract. The Government shall perform inspections and tests in a manner that will not unduly delay the work.

(d) If any of the services performed do not conform with contract requirements, the Government may require the Contractor to perform the services again in conformity with contract requirements, for no additional fee. When the defects in services cannot be corrected by reperformance, the Government may --

(1) Require the Contractor to take necessary action to ensure that future performance conforms to contract requirements; and (2) Reduce any fee payable under the contract to reflect the reduced value of the services performed.

(e) If the Contractor fails to promptly perform the services again or take the action necessary to ensure future performance in conformity with contract requirements, the Government may --

(1) By contract or otherwise, perform the services and reduce any fee payable by an amount that is equitable under the circumstances; or (2) Terminate the contract for default.

(End of Clause)

APPENDIX D. FAR CLAUSE 52.237-1 SITE VISIT

The full text of FAR Clause 52.237-1 is provided below for the reader's understanding. This clause is required by the FAR (1984) on all non-construction service contracts on government installations.

Offerors or quoters are urged and expected to inspect the site where services are to be performed and to satisfy themselves regarding all general and local conditions that may affect the cost of contract performance, to the extent that the information is reasonably obtainable. In no event shall failure to inspect the site constitute grounds for a claim after contract award.

(End of Provision)

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APPENDIX E. FAR CLAUSE 52.237-2 PROTECTION OF GOVERNMENT BUILDINGS, EQUIPMENT, AND VEGETATION

The full text of FAR Clause 52.237-2 is provided below for the reader's understanding. This clause is required by the FAR (1984) on all non-construction service contracts on government installations.

The Contractor shall use reasonable care to avoid damaging existing buildings, equipment, and vegetation on the Government installation. If the Contractor's failure to use reasonable care causes damage to any of this property, the Contractor shall replace or repair the damage at no expense to the Government as the Contracting Officer directs. If the Contractor fails or refuses to make such repair or replacement, the Contractor shall be liable for the cost, which may be deducted from the contract price.

(End of Clause)

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APPENDIX F. FAR CLAUSE 52.237-3 CONTINUITY OF SERVICES

The full text of FAR Clause 52.237-3 is provided below for the reader's understanding. This clause is required by the FAR (1991) for all vital services in which service interruption is not tolerable.

(a) The Contractor recognizes that the services under this contract are vital to the Government and must be continued without interruption and that, upon contract expiration, a successor, either the Government or another contractor, may continue them. The Contractor agrees to --

(1) Furnish phase-in training; and

(2) Exercise its best efforts and cooperation to effect an orderly and efficient transition to a successor.

(b) The Contractor shall, upon the Contracting Officer's written notice,

(1) furnish phase-in, phase-out services for up to 90 days after this contract expires and

(2) negotiate in good faith a plan with a successor to determine the nature and extent of phase-in, phase-out services required.

The plan shall specify a training program and a date for transferring responsibilities for each division of work described in the plan, and shall be subject to the Contracting Officer's approval. The Contractor shall provide sufficient experienced personnel during the phase-in, phase-out period to ensure that the services called for by this contract are maintained at the required level of proficiency.

(c) The Contractor shall allow as many personnel as practicable to remain on the job to help the successor maintain the continuity and consistency of the services required by this contract. The Contractor also shall disclose necessary personnel records and allow the successor to conduct on-site interviews with these employees. If selected employees

are agreeable to the change, the Contractor shall release them at a mutually agreeable date and negotiate transfer of their earned fringe benefits to the successor.

(d) The Contractor shall be reimbursed for all reasonable phase-in, phase-out costs (i.e., costs incurred within the agreed period after contract expiration that result from phase-in, phase-out operations) and a fee (profit) not to exceed a pro rata portion of the fee (profit) under this contract.

(End of Clause)

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